



GOVERNMENT OF INDIA

**MINISTRY OF HEAVY INDUSTRIES
AND
PUBLIC ENTERPRISES**

DEPARTMENT OF PUBLIC ENTERPRISES

**GUIDELINES
FOR
ADMINISTRATIVE
MINISTRIES/DEPARTMENTS
AND
CENTRAL PUBLIC SECTOR ENTERPRISES**



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C.G.O. Complex, Block No.14,
Lodhi Road, New Delhi

November, 2015

FOREWORD

Department of Public Enterprises (DPE) under the Ministry of Heavy Industries & Public Enterprises is the nodal Department for issuing policy guidelines concerning Central Public Sector Enterprises (CPSEs). The existing guidelines were last compiled in the year 2006. Since then many guidelines have ceased to exist and some new guidelines have also been issued.

I am happy that a new Compendium is being brought out by DPE. I trust that this compilation would be a useful guide for administrative Ministries/Departments and Central Public Sector Enterprises.

(Anant G. Geete)



**MINISTER OF STATE HEAVY INDUSTRIES &
PUBLIC ENTERPRISES**


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PREFACE

I am happy that Department of Public Enterprises (DPE) under the Ministry of Heavy Industries & Public Enterprises is issuing a updated compendium on policy guidelines concerning Central Public Sector Enterprises (CPSEs). The Compendium will be helpful to all the administrative Ministries/Departments, CPSEs and their employees as ready reference in their day-to-day working.

I congratulate DPE for this comprehensive exercises and hope that this exercise of review of the guidelines will continue in future also with changing time & need.



(G. M. Siddeshwara)



GOVERNMENT OF INDIA
SECRETARY

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INTRODUCTION

Department of Public Enterprises (DPE) is the nodal Department for issuing policy guidelines concerning Central Public Sector Enterprises (CPSEs). In order to keep pace with changing environment and requirements of CPSEs, these guidelines were reviewed and a Compendium was brought out in the year 2006. It has been DPE's constant endeavor to keep the guidelines current, relevant and up-to-date. Therefore the guidelines have further been reviewed and are contained in the latest Compendium entitled "Guidelines for Administrative Ministries/Departments and Public Sector Enterprises, 2015".

All efforts have been made to arrange the guidelines in a systematic manner for being used as ready reference by all concerned. The latest Compendium in all comprises of total 320 guidelines in respect of General Management, Policy Planning, Management Policy, Wage Policy, Memorandum of Understanding, Corporate Social Responsibility, Permanent Machinery of Arbitration, Voluntary Retirement Scheme and Counselling, Retraining & Redeployment Scheme.

The Compendium on the guidelines is also available on the website of the Department of Public Enterprises: www.dpe.nic.in. Department of Public Enterprises acknowledges the contribution made by all concerned in facilitating the publication of this Compendium.


(Ameising Luikham)

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252	18	Representation/Communications being received by DPE directly from various CPSEs/Employees of CPSEs/their employees' associations/Trade Unions Etc. [DPE O.M. No. 2(22)/11-DPE (WC) GL-IX/2011 dated 30th May, 2011]	445
253	19	Foreign tours of executives and functional director of CPSEs. [DPE O.M. No.2(23)/07-DPE(WC) GL-XVI/2011 dated 20th July, 2011]	445
254	20	Clarification sought by audit on encashment of sick leave. [DPE O.M.No.2(14)/2012-DPE (WC) dated 17th July, 2012]	446
255	21	Performance Related Pay (PRP) clarification regarding ESOP. [DPE O.M. No.2(94)/2011-DPE(WC) dated 02nd August, 2012]	446
256	22	Creation of corpus for retired employees of CPSEs. [DPE O.M. No.2(81)/2008-DPE(WC)-GL-XIV/12 dt 27th August, 2012]	446
257	23	Clarification sought by audit on encashment of sick leave [DPE O.M. No.2(14)/2012-DPE(WC)-GL-XXI/12 dt 17th December, 2012]	446
258	24	Scales of pay and grades of executives at below board level in CPSEs. [DPE O.M. No.2(12)/2009-DPE(WC) dated 24th December, 2012]	447
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261	27	Purchase, use, entitlement and other instructions regarding staff car in Central Public Sector Enterprises (CPSEs)-Reg. [DPE O.M. No. 2(23)/11-DPE(WC)-GL-V/13 dated 21st January, 2013]	448
262	28	Payment of wages under the minimum wages act to contract/casual workers in CPSEs. [DPE O.M. No. 2(4)/2013-DPE-(WC) GL-VII/13 dated 21st February, 2013]	450
263	29	Purchase, use, entitlement and other instructions regarding staff car in Central Public Sector Enterprises (CPSEs). [DPE O.M. No. 2(23)/11-DPE-(WC) GL-XXVI/13 dt 04th November, 2013]	450
264	30	Encashment of Half Pay Leave (HPL) on superannuation - regarding. [DPE O.M. No. 2(14)/12-DPE-(WC) GL-IV/14 dated 07th February, 2014]	450

265	31	Payment of performance related pay (PRP) to the executives of Central Public Sector Enterprises (CPSE). [DPE O.M. No. 2(68)/11-DPE-(WC) GL-V/14 dt 10th February, 2014]	451
266	1	<p style="text-align: center;">CHAPTER - VI</p> <p style="text-align: center;">MEMORANDUM OF UNDERSTANDING (MoU)</p> <p style="text-align: center;">(A) Guidelines for Signing of MoU</p> <p>Guidelines for MoU for the year 2013-14 [DPE OM No.3(12)/2012-DPE(MoU) dated 12th November, 2012]</p>	452
267	2	Additional information for the year 2013-14 [DPE OM No.3(12)/2012-DPE(MoU) dated 10th January, 2013]	469
268	3	Guideline For MoU for the year 2014-15 [DPE OM No.3(19)/2013-DPE(MoU) dated 11th November, 2013]	472
269	4	Guideline For MoU for the year 2015-16 [DPE OM No.3(0012)/2014-DPE(MoU) dated 7th November, 2014]	496
270	5	Guideline For MoU for the year 2015-16 [DPE OM No.3(0012)/2014-DPE(MoU) dated 16th December, 2014]	523
271	1	<p style="text-align: center;">(B) Guidelines MoU Excellence Awards</p> <p>Guidelines for MoU Excellence Awards. [DPE OM No. 3(13)/2006-DPE(MOU) dated 20th August, 2007]</p>	524
272	2	Guidelines for MoU Excellence Awards from best listed CPSEs & turnaround sick/loss making CPSEs. [DPE OM No. 3(29)/2007-DPE(MOU) dated 7th January, 2008]	525
273	1	<p style="text-align: center;">(C) Other Guidelines</p> <p>R & D and S.D. Guideline [DPE O.M. No. 3(9)/2010-DPE(MOU) dated 23th September, 2011]</p>	530
274	2	HRM Guideline [DPE OM No.3(9)/2010-DPE(MoU) dated 29th September, 2011]	549
275	1	<p style="text-align: center;">CHAPTER - VII</p> <p style="text-align: center;">PERMANENT MACHINERY OF ARBITRATION (PMA)</p> <p>Permanent Machinery of Arbitration-reg. [DPE D.O. No. 15(9)/86-BPE(Fin) dated 29th March, 1989]</p>	550

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307	12	Review of Guidelines. [DPE O.M. No. 6(6)88(coord.) dated 25th January, 1991]	603
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309	14	Declaration of additional holidays for Central Public Sector Undertakings. [DPE Letter No. 17(1)/90-GM dated 5th January, 1994]	604
310	15	Reimbursement of return Air/Rail Fare to candidates called for selection by Public Enterprises Selection Board. [DPE O.M. No. 18/19/98-GL-016/DPE(GM) dated 11th March, 1999]	604
311	16	Letter dated 3rd December, 2003 from Ministry of Environment and forests-Hon'ble Supreme Court's order dated 14.10.2003-W.P./657/1995 (Research Foundation for Science, Technology and Natural Resources Policy Vs. Union Of India & others) on Auction of Hazardous Wastes By Public Sector Undertakings through Units registered with MOEF having ESM facilities and not through open auction. [DPE O.M. No. 16(2)/2004-DPE(GM)/GL-54 dated 12th January, 2004]	605
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313	18	Review of purchase preference policy for products and services of Central Public Sector Enterprises (CPSEs) in view of the judgement of the Supreme Court of India in the matter of M/s Caterpillar India pvt. Ltd. v/s Western Coalfields Limited and ors. dated 18.5.2007. [DPE OM No. DPE/13(15)/2007-Fin dated 21st November 2007]	606
314	19	Setting up of crèches near work places and in the offices of PSEs to facilitate working women and employees having pre-school or primary school going children. [DPE OM No. 15(2)2009-DPE(GM)-GL-97 dated 17thAugust ,2009]	607
315	20	Uniformity in facilities to women employees of CPSEs like maternity leave and child care leave [DPE OM No. 6 (1)/2014-DPE (GM) dated 18th June, 2014]	608
316	21	Short-comings in Bid documents. [DPE OM No.GM/0045/2014-GM dated 20th June, 2014]	608
317	22	Sixty-Second (62nd) Report of the "Status of Women Government Employees, Service Conditions, Protection against exploitation, Incentives and other related issues" by the Department related Parliamentary Standing Committee on Personnel, Public Grievances, Law & Justice -reg. [DPE OM No. 6(1)/2014-DPE (GM) dated 19th August, 2014]	609

318	23	Extending courtesies towards members of Parliament [DPE OM No. 0081/2014-GM-FTS 2163 dated 29th December, 2014]	610
319	24	Citizen charter in CPSEs [DPE OM No. DPE-GM/0001/2015-GM/FTS-3207 dt. 19th January, 2015]	613
320	25	Enrolment of CPSEs employees / contract workers etc. under AADHAR enabled system. [DPE OM No. DPE-GM/0209/2014-GM/FTS 3113 dt. 27th January, 2015]	613

CHAPTER-I

CORPORATE GOVERNANCE

1. Restrictions on dealings by Public Enterprises with private firms where former top executives of the concerned enterprises have joined after retirement.

There are at present restrictions on employment of retired officers of Government in private commercial undertakings. Thus if a pensioner, who immediately before his retirement was holding post of a sufficiently senior level in Government, wishes to accept any commercial employment before the expiry of two years from the date of his retirement, he has to obtain the prior sanction of the Government to such acceptance. Pension for a specified period is not payable to the pensioner who accepts a commercial employment without such sanction. The question has been under consideration for some time whether the restrictions at present applicable to officers of Government should apply to officers of Public Enterprises also. After considering all the aspects of the question, it has been decided that if a top executive (and not only the Chief Executive) of a Public Enterprise on his retirement joins a private firm, no contract should be placed with that firm, without the approval of the Board of Directors of the concerned enterprise, for a period of two years following the retirement of that officer.

2. In cases where a Government officer after retirement from Government service accepts re-employment in a commercial undertaking within a period of two years from the date of his retirement, the following procedure will be followed:

- (a) As far as the retired officer is concerned, the existing procedure, under which the period of two years as laid down under Article 531-B, CSRs, would commence from the date of retirement of the officer concerned, would continue to apply; and
- (b) So far as giving contracts to the private firm which employs the officer in question after his retirement from the Public Enterprise is concerned, contracts with such firms should be entered into by the Public Sector Enterprise in question only after approval from the Board of Directors of the enterprise is obtained—this restriction will be effective for a period of two years from the date of retirement of the officer concerned from the public sector enterprise.

3. Ministry of Steel and Heavy Engineering etc, are requested to suitably address the enterprises under their control in this regard.

(BPE No.2(11)/68-BPE(GM) dated 26th April, 1969)

2. Power of President to issue directives—Provisions in the Articles of Association—regarding.

As the Ministry of Agriculture & Rural Development, etc., are aware the Articles of Association of the public enterprises contain an article to the effect that the President may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner may vary or annul any such directive or instruction.

2. The Committee on Public Undertakings (1987-88), in their 32nd Report on “accountability and autonomy of public undertakings”, have recommended that all directives issued by the President should be in writing addressed to the Chairman and that the contents of those directives should be incorporated in the annual report of the Company.

3. This recommendation was considered and it has been found that the Articles of Association of some public enterprises already contain such a provision while others do not. It has now been decided that the following provision may be incorporated, at the appropriate place, in the Articles of Association of all such public enterprises which do not have this provision:—

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of the national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.

4. The Ministry of Agriculture and Rural Development, etc. are, therefore, requested to advise the public enterprises under their administrative control accordingly.

(BPE O.M. No. 2 (100)/87-BPE (GM) dated 18th February, 1988)

3 Grading of CPSEs on the basis of their compliance with Guidelines on Corporate Governance for Central Public Sector Enterprises(CPSES).

The undersigned is directed to refer to this Department's O.M. even number dated 22.6.2011 enclosing therewith the prescribed format for grading CPSEs on the basis of their compliance with Guidelines on Corporate Governance.

2. This Department had received a number of representations regarding suitability of indicators included in the prescribed format. In order to address the concerns expressed in this regard, DPE had set up a Committee of Company Secretaries of select CPSEs to suggest suitable modifications/improvements in the prescribed format. The recommendations of this Committee have been considered in this Department and a revised format for grading CPSEs has been approved for implementation. (Copy enclosed). The revised format for grading CPSEs is also available on DPE's website.

3. The enclosed modified format is to be filled by concerned CPSEs on quarterly basis and submitted only to their respective administrative Ministries/Departments within 15 days from the close of the each quarter. The quarterly Compliance reports are not required to be furnished to this Department.

4. All administrative Ministries/Departments are requested to bring the contents of this O.M. to the notice of all CPSEs under their respective administrative jurisdiction and to furnish consolidated annual score and grading of CPSEs under their respective jurisdiction for the year 2012-13 and onwards within 31st May of every financial year in the enclosed prescribed format.

5. The availability of annual grading of CPSEs on the basis of their compliance with Guidelines on Corporate Governance is even more significant as Corporate Governance has been incorporated as a performance parameter in MoUs of all CPSEs.

REVISED FORMAT FOR grading Central Public Sector Enterprises (CPSEs) on the basis of their compliance of Guidelines on Corporate Governance

Name of CPSE-----

Name of Ministry/Department-----

Listed/Unlisted-----Year-----Quarter-----

1.1. Composition of Board (2 Marks)

Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Board of the Company have an optimum combination of functional, nominee and independent directors? (The optimum number of members in the board may be decided by the DPE)	1	Yes=1 No=0	
ii.	Does the number of functional directors in the company (including CMD/MD) not exceed 50% of the actual strength of the board?	1	Yes=1 No=0	

1.2 Non-official Directors (5 Marks)

Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Is the number of Nominee Directors appointed by Government/other CPSE as per the DPE Guidelines?	1	Yes=1 No=0	
ii.	Is the number of Independent Directors at least 50% Board Members (in the case of listed CPSE with an executive chairman) and at least one-third (in the case of listed but without an executive chairman or not listed CPSE)?	4	Yes=4 No=0	

1.3 Part-time Directors' Compensation and Disclosure (1 Marks)

Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Is the fee/compensation of Non-Official Part-Time Directors fixed by Board as per the DPE Guidelines and Companies Act, 1956?	1	Yes=1	
		1	No=0	

1.4 Board Meetings (2 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Board meet atleast once in every three months and the time gap between any two meetings is not more than three months?	1	Yes=1 No=2	
ii.	Does the Company send to all the members of the Board notification of Board Meetings with atleast one volume of agenda of atleast 7 days in advance of meetings?	1	Yes=1 No=0	
1.5 Review of Compliance of Laws (5 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Board periodically review compliance reprotos of all laws applicable to the company as well as steps taken by the Company to rectify instances of non-compliances?	5	Yes=1 No=2	
1.6 Code of Conduct (2 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Company have Code of Conduct approved by the Board applicable to Board Members and Senior Management of the company?	1	Yes=1 No=0	
ii	Doe the Members of the Board having conflict of interest abstain from participating in the agenda item in which he/she has personal interest?	1	Yes=1 No=0	
1.7 Risk Management (4 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the company have risk managments plan approved by the Board?	2	Yes=2 No=0	
ii	Does the Board periodically review and take remedial action to implement the risk management plan?	2	Yes=2 No=0	

1.8 Training of New Board Members (4 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Company have a policy specifying training requirements for board members?	2	Yes=2 No=0	
ii.	Does the Company provide training to the new Board members of atleast three days after appointment to the Board?	2	Yes = 2 No. = 0	
2.1 Constitution of Audit Committee (4 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Board of Directors have a qualified and independent Audit Committee with a Terms of Reference?	1	Yes =1 No=0	
ii	Does the Audit Committee have Minimum three directors as members and two-third of its members as Independent Directors?	1	Yes=1 No= 0	
iii.	Is the Audit Committee chaired by an Independent Director?	1	Yes=2 No=0	
iv	Do all members of the Audit Committee have knowledge of financial matters of the company and at least one member has expertise in accounting and financial management?	1	Yes=1 No=0	
2.2 Audit Committee Role (6 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the scope/terms of reference governing the Audit Committee specify tha the Audit Committee is responsible for the oversight of the company's financial reporting process and the disclosures of its financial information?	1	Yes=1 No=0	
ii	Does of the scope/terms of reference governing the Audit Committee specify that it can recommend to the Board the fixation of audit fees?	1	Yes=1 No=0	
iii	Does of the scope/ terms of reference governing the Audit Committee specify that	1	Yes=1 No=0	

Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
	it can approve the payment to statutory auditors for any other services rendered by them?			
iv	Does the scope/terms of reference governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management and ensuring that the company's annual financial statements and audits are in compliance with applicable laws, regulations, and company policies before submission to the Board for approval?	1	Yes=1 No=0	
v	Does the scope/terms of reference governing the Audit Committee specify that the Audit Committee is responsible for reviewing with the management the performance of internal auditors and adequacy of the internal control systems?	1	Yes=1 No=0	
vi	Does the scope/terms of reference governing the Audit Committee approved by the Board?	1	Yes=1 No=0	
2.3 Audit Committee Powers (5 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Is the Audit Committee empowered to seek information from any employee of the CPSE?	1	Yes=1 No=0	
ii	Does the Audit Committee have powers to secure help of outside legal or any other experts when necessary?	1	Yes=1 No=0	
iii	Does the Audit Committee have powers to mitigate conflicts of interest by strengthening auditor independence?	1	Yes=1 No=0	
iv	Is the Audit Committee empowered to ensure the effectiveness of internal controls and risk management?	1	Yes=1 No=0	
v	Is there a system of protection for employees and others who report infractions (to protect "whistle blowers")?	1	Yes=1 No=0	

2.4 Meeting of Audit Committee (5 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
I	Did the Audit Committee meet at least four times during the last 12 months?	1	Yes=1 No=0	
ii	Does the frequency of the Audit Committee meetings as per the norms (<i>i.e.</i> not more than four months shall elapse between two meetings)?	1	Yes=2 No=0	
iii	Did the minimum of two Independent Directors attend the meeting of the Audit Committees?	1	Yes=2 No=0	
2.5 Review of Information by Audit Committee (5 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Audit Committee review the management discussion and analysis of financial condition and results of operations?	1	Yes=1 No=0	
ii	Does the Audit Committee review the statement of related party transactions submitted by management?	1	Yes=1 No=0	
iii	Do the internal audit report relating to internal control weaknesses reviewed by the Audit committee?	1	Yes=1 No=0	
iv	Is the information regarding appointment and/or removal of Chief Internal Auditor placed before the Audit Committee?	1	Yes=1 No=0	
v	Does the Audit Committee review the declaration of financial statement by the CEO/CFO?	1	Yes=1 No=0	
3.1 Constitution of Remuneration Committee (5 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Company have Remuneration Committee?	1	Yes=1 No=0	
ii	Does the Remuneration Committee comprise of at least 3 directors who are all part-time directors (Nominee or Independent)?	1	Yes=2 No=0	

iii	Is the Remuneration Committee chaired by an Independent Director?	1	Yes=2 No=0	
4.1 Board of Subsidiary Companies (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i	Does the Board of Subsidiary Company, whose turnover or network is not less than 20% of the turnover or network respectively of the Holding Company in the immediately preceding accounting year, include at least one independent director of the holding company as a director?	1	Yes=1 No=0	
ii	Are the minutes of meetings of Board of Directors of subsidiary company placed in the Board meetings of the holding company?	1	Yes=1 No=0	
iii	Does the number of functional directors (including CMD/MD) not exceed 50% of the actual strength of the board of Subsidiary Company, whose turnover or network respectively is not less than 20% of the turnover or network of the Holding Company in the immediately preceding accounting year?	1	Yes=1 No=0	
4.2 Review of Financial Statement of Subsidiary by Audit Committee (1 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Audit Committee of the holding company review the financial statements of the subsidiary company?	1	Yes=1 No=0	
4.3 Review of Performance of Subsidiary by Board (1 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Board of Directors of the holding company review the performance of the subsidiary company?	1	Yes=1 No=0	

5.1 Transactions (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Is the summary of transactions with related parties in the normal and ordinary course of business placed periodicaloy before the Audit Committee?	1	Yes=1 No=0	
ii.	Are the details of material individual transactions with related parties undertaken in extraordinary circumstanes of business placed before the Audit Committee?	1	Yes=1 No=0	
iii.	Are the details of material individual transactions with related parties or others, which are not on an arm's length basis placed before the Audit Committee along with Management's Justification for the same?	1	Yes=1 No=0	
5.2 Accounting Standards (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Do the company's accounting procedures comply with the Accounting Standards adopted by concerned regulatory authority from time to time?	2	Yes=2 No=0	
ii.	Is the deviation from the prescribed Accounting Standards disclosed and explained in the financial statements and in the Corporate Governance Report of the Company?	1	Yes=1 No=0	
5.3 Consolidated Financial Statements (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Are the Consolidated Financial Statements of the Company prepared in accordance with the Accounting Standards issued by concerned regulatory authority from time to time?	3	Yes=3 No=0	

5.4 Segment-wise Profit and Loss Statement (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the company disclose segment-wise profit & loss, as per Accounting Standards issued by concerned regulatory authority from time to time?	3	Yes=3 No=0	
5.5 Board Disclosures-Risk Management (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Do the company's latest Annual Report include management's assessment of the company's outlook for the future and identify important risks that the company may face in future?	2	Yes=2 No=0	
ii.	Has the company included in its latest Annual Report a statement of its corporate objectives (Mission)?	1	Yes=1 No=0	
5.6 Remuneration of Directors (3 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the company's latest Annual Report disclose all pecuniary relationship or transactions of the part-time directors <i>vis-a-vis</i> the company?	2	Yes=2 No=0	
ii.	Does the company disclose in its latest Annual Report the details on remuneration of Directors?	1	Yes=1 No=0	
5.7 Management Discussion and Analysis (1 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Management Discussion and Analysis Report include the matters as specified in the DPE Guidelines?	1	Yes=1 No=0	

5.8 Disclosures by Senior Management (1 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Company's latest Annual Report disclose significant "related party" transactions of Board Members where they have personal interest?	1	Yes=1 No=0	
6.1 Report on Corporate Governance (4 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the company's latest Annual Report have a separate section on Compliance to Corporate Governance Guidelines issued by DPE?	2	Yes=2 No=0	
ii.	Does the company produce periodic reports and press releases to indicate significant developments impact on corporate governance (such as, legal and environmental issues commitment to workforce, suppliers, customers and local communities etc.)?	1	Yes=1 No=0	
iii.	Does the company have a facility for information sharing with stakeholders through the use of information and communication technologies (ICT)?	1	Yes=1 No=0	
6.2 Compliance Certificate (4 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Has the company obtained a Certificate from the auditors and/or practicing Company Secretary regarding Compliance of Corporate Governance Guidelines and Annexes?	2	Yes=2 No=0	
ii.	Does the latest Annual Report of the company include the Compliance Certificate along with the Directors' Report, which is also sent to all shareholders?	2	Yes=2 No=0	
6.3 Chairman's Speech in AGM and Annual Report (4 Marks)				
Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the Chairman's speech at the latest AGM include a section on compliance with Corporate Governance guidelines?	2	Yes=2 No=0	
ii.	Does the Chairman's Letter/Message to shareholders form part of Annual Report of the company?	2	Yes=2 No=0	

6.4 Holding AGM, Adoption of Audited Accounts and Filing of adopted Accounts with the registrar of Companies within the stipulated time (4 Marks)

Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Did the company hold an Annual General Meeting (AGM) as per the provisions of the Companies Act, 1956?	1	Yes=1 No=0	
ii.	Are the year-end Audited Accounts placed in the AGM for adoption by the shareholders of the company?	2	Yes=2 No=0	
iii.	Are the year-end Audited Accounts adopted in the AGM filed with the Registrar of Companies within the stipulated time?	1	Yes=1 No=0	

6.5 Timely Submission of Grading Report (4 Marks)

Sl. No.	Guidelines Proposed by Committee	Prescribed Marks	Criteria for Measurement	Awarded Marks
i.	Does the company submit quarterly grading report regarding DPE Guidelines on Corporate Governance in the prescribed format to respective Administrative Ministries within 15 days from the close of each quarter?	4	Yes=4 No=0	

(Signature of Authorized Signatory)

(Name and Designation of Authorized Signatory)

Note:—

- The grading report in the above format is to be filled for each quarter and total marks (out of 100) are to be calculated for each quarter. The scores for each of the four quarters are to be averaged for arriving at annual score.

2. The grading would be awarded as under.

Grade	Annual Score
Excellent	85 and above
Very Good	75-84
Good	60-74
Fair	50-59
Poor	Below 50

3. In case, a particular indicator is not applicable to a CPSE, the same may be mentioned in the format along with justification for non-applicability and the score may be calculated after excluding the marks of that indicator and the marks may be pro-rata calculated for arriving at total score out of 100.

[DPE OM No. 18(8)/2005-GM Dated 6th September 2012]

CHAPTER-II

PERSONNEL POLICIES

(a) Service Matters

1. Appointment of non-Indian personnel to posts in Public Enterprises

In their 17th Report on “Personnel Policies and Labour-Management Relations in Public Undertakings”, the Committee on Public Undertakings (5th Lok Sabha) have made some important recommendations regarding the engagement of foreign personnel in Public Enterprises. The main thrust of the Committee’s recommendations is on the necessity of ensuring that such personnel are engaged only for essential purposes and for only the minimum necessary periods. At the same time, efforts should be made to train up Indian personnel in priority areas such as drawing, designing and priority work so that they achieve self-reliance in these respects. Recommendations of the Committee have been considered. The following instructions need to be complied with by the administrative Ministries and Public Enterprises in this regard:

- (i) The committee have desired that the instructions issued by the Government vide Ministry of Home Affairs O.M. No.12/9/65-Ests(B), dated 23.2.1966 (Annexure) should be observed not merely in letter but also in spirit. This may be ensured. In particular, attention is invited to the following points included in the aforesaid instructions:
 - (a) Appointment of non-Indians should be made only in very exceptional circumstances, and then also only on contract for the minimum period necessary.
 - (b) Simultaneously, suitable steps should be taken to train Indians to fill such posts on regular basis.
 - (c) Prior approval of the Minister in-charge or the Deputy Minister of the Ministry/Department, which is in administrative control of the concerned Public Enterprise, is required in cases of appointments of non-Indians.
- (ii) Before according the approval to the engagement of foreign personnel, the administrative Ministry in charge will explore the possibility of obtaining the requisite expertise from another Public Enterprise engaged in the same, similar or related line of manufacture. They may also make attempts to obtain services of Indians who have been working abroad in similar fields and have acquired expertise in the concerned field.
- (iii) Vigilance will be exercised to see that the Indian personnel attached to the non-Indians are enabled to pick up during the contract period the intricacies of the work especially in priority areas such as drawing, designs and operational work and achieve self-reliance. To obviate the extension of the contract periods in respect of foreign personnel as far as possible, periodical reviews should be regularly conducted both at the enterprises and administrative Ministries/Departments level, to evaluate the progress made in training Indian personnel. Such reviews may be conducted at least once in six months. The reviews at the administrative Ministry level may be conducted on the basis of information obtained from the undertaking on a proforma prescribed by the Ministry in consultation with the undertaking.

2. Ministry of Industrial Development, etc. are requested to advise the Public Enterprises under their administrative control on the above lines.

ANNEXURE

Copy of Ministry of Home Affairs O.M. No.12/9/65-Ests(B) dated 23rd February, 1966 to all Ministries etc. regarding instructions relating to appointment of non-Indians to civil posts under the Government of India and to posts in Corporations, Public Undertakings etc. under the administrative control of the Government of India.

The undersigned is directed to refer to this Ministry's Office Memorandum No.20/106/46-Ests(S) dated the 4th November, 1946 containing instructions governing the appointment of non-Indians to civil posts under the Government of India. According to the general policy laid down therein, appointment of non-Indians should be made only in very exceptional circumstances and then also, only on contract for the minimum period necessary, and simultaneously suitable steps should be taken to train Indians to fill such posts on a regular basis. Further, vide this Ministry's O.M. of even number dated the 16th December, 1946, it was decided that the instructions contained in the Office Memorandum dated the 4th November, 1946 should apply also to appointments in any corporation or organization statutory or otherwise, in which Government of India have a controlling interest. If appointment to any post in such organizations was governed by Special provisions either in the statute setting up the organization or in the rules framed thereunder which rendered it impossible to follow the instructions referred to above, the administrative Ministries/Departments concerned were requested to examine amending those provisions suitably to ensure that proposal for appointment of non-Indians were referred to Government for approval before making the appointments. Concurrence of this Ministry was required to be obtained in respect of all proposals for appointment of non-Indians till 14th July, 1955 when the powers in this regard were delegated to the Administrative Ministries vide this Ministry's Office Memorandum No.1/55 CS(C), dated the 14th July, 1955. According to this Office Memorandum Administrative Ministries are competent to decide cases of appointment of non-Indians to posts under their administrative control keeping in view the general policy laid down in this Ministry's Office Memorandum dated the 4th November 1946 after obtaining the order of the Minister in-charge or the Deputy Minister.

2. It has been brought to the notice of this Ministry that certain corporations, public undertakings have appointed non-Indians against posts under them in contravention of the instructions referred to above. The Ministry of Finance, etc. are, therefore, requested to bring these instructions to the notice of the various corporations, public undertakings, etc., under their administrative control and take necessary steps to ensure that the appointment of non-Indians in these organizations are made in accordance with these instructions. The Action taken in the matter may please be intimated to this Ministry in due course.

(BPE No. 9(100)/71-BPE(GM-I) dated 23rd October,1972)

2. Publication of job vacancy notices in 'Employment News'

The Bureau of Public Enterprises had issued a circular letter to all the Public Enterprises suggesting them to make full use of the columns of Employment News for publicising their job vacancies at levels for which the paper caters for. A copy of letter No. BPE (I&R) 23(3)/80 dated 16th February, 1981 is enclosed for ready reference. However, in the course of last five years, it has been noticed that many of the Public Enterprises are using the columns of the other dailies for publicising their manpower requirements, without making use of the Employment News. It may be mentioned that Employment News is a Government journal, read by practically all the unemployed/underemployed persons in the country who are seeking jobs anywhere, either in Government, Public Sector Undertakings or even in the private sector. The objective of having one newspaper of this nature

was to ensure that the job requirements of various Organizations reach the target readers. It is thus necessary, also as a matter of policy that the vacancy notices in Public Sector Enterprises are released through the columns of Employment News. This will ensure a better response from candidates. It may also be kept in mind that Employment News is published by the Ministry of Information & Broadcasting and is operating almost on no profit no loss basis.

2. Ministry of Commerce etc. may please suitably advise the public enterprises under their administrative control for compliance.

Copy of letter No. BPE(I&R) 23(3)/80 dated 16th February addressed to Chief Executives of all Public Sector Undertakings.

The Publication Division of the Ministry of Information & Broadcasting publishes a weekly journal “Employment News/Rozgar Samachar” in English, Hindi and Urdu. The object of bringing out this weekly is to publicize through a single forum, jobs advertised by the Central Government, Public Sector Enterprises, Autonomous Bodies, State Governments, Universities, and even the Private Sector. The present circulation of the combined issues is about 2.9 lakh copies. It reaches every nook and corner of the country and is reported to be read by about 15 lakh job seekers every week. While some Public Sector Enterprises are releasing their job oriented advertisements in the weekly, there are still a sizeable number of them who are reported to be utilizing this service inadequately or not at all. It is, therefore, requested that Public Sector Enterprises may make full use of the Employment News/Rozgar

Samachar for publicising their job vacancies at levels for which the paper caters for. They can send their appointment notices for publication to the Editor, Employment News, Publication Division, Patiala House, New Delhi, directly or through their advertising agencies.

(DPE O.M. No. 16/58/86-GM dated 12th September, 1986.)

3. Recruitment to posts in Public Sector Enterprises through National Employment Service—issue of revised guidelines regarding.

The undersigned is directed to say that the scheme of Employment Exchange procedure came under the judicial scrutiny of the Supreme Court in the case of Excise Superintendent, Malkapatnam Krishan District, Andhra Pradesh Vs. K.P.N. Visweshwara Rao & Others (1996 (6) SCALE 676). The Supreme Court, inter-alia, directed as follows:

“It should be mandatory for the requisitioning authority/establishment to intimate the employment exchange and employment exchange should sponsor the names of the candidates to the requisitioning Departments for selection strictly according to seniority and reservation, as per requisition. In addition, the appropriate Department or undertaking or establishment, should call for the names by publication in the newspapers having wider circulation and also display on their office notice boards or announce on radio, television and employment news bulletins and consider the cases of all the candidates who have applied.”

2. In view of the need to incorporate the directions of the Supreme Court, it has been decided to consolidate all existing instructions in this regard and issue revised guidelines as follows:-

PSEs are required to notify all vacancies meant for recruitment to the post carrying scales of pay, the maximum of which does not exceed Rs.2500/- per month pre-revised as indicated in DPE’s O.M. No.2(48)/91-DPE(WC) dated 6th April, 1992 to the Employment Exchanges/Central Employment

Exchanges in the manner and form prescribed in Rule 4 of the Employment Exchanges (CNV) Rule, 1960 and make recruitment through National Employment Service. In addition to notifying the vacancies for the relevant categories to the Employment Exchange, the requisitioning authority/establishment may, keeping in view administrative/budgetary conveniences, arrange for the publication of the recruitment notice for such categories in the “Employment News” published by the Publication Division of the Ministry of Information & Broadcasting, Govt. of India and then consider the cases of all the candidates who have applied. In addition to above, such recruitment notices should be displayed on the office notice boards also for wider publicity.

3. These guidelines will take effect from the date of issue and will not apply to such cases where process of recruitment through employment exchanges/open advertisement has been initiated before the said date.
4. All the administrative Ministries/Departments are requested to bring the aforesaid instructions to the notice of PSUs under their administrative control for strict adherence.

(DPE O.M. No. 24(11)/96(GL-010)/GM dated 2nd November, 1998)

4. Enforcement/transfer of bond in respect of employees of Public Enterprises who leave the services of one Undertaking to join another Undertaking/ Government.

The undersigned is directed to refer to this Department’s OMs No. BPE/GL-017/77/MAN/2(11)/75-BPE(GM-I) dated 13.6.1977 and 23.5.1981 and No. 17/20/84-GM dated 5.2.1985 on the subject mentioned above, which were deleted vide this Department’s O.M. No. 20(5)/95-DPE(GM) dated 10th December, 1997. After deletion of these guidelines, Department of Public Enterprises received references from various quarters for revival of these guidelines to enable them to regularize enforcement/ transfer of bond in the case of public sector employees joining services in Central Govt./State Govt./Autonomous Bodies. The position has been reviewed and after careful consideration, it has been decided to revive this Department’s OMs dated 13.6.1977, 23.5.1981 and 5.2.1985 with the following modifications:

- (a) The bond executed by employees of the Public Enterprises, who have received scientific/technical training at the cost of Public Enterprises and have applied through proper channel during the currency of the bond join Central Govt./State Govt. services or take up employment under quasi-government organizations or any other public enterprise either on the basis of competition examinations/tests/interviews organized by those organizations or the Union Public Service Commission should not be enforced subject to the condition that a fresh bond is taken to ensure that the employee serves the new employer for the balance of the original bond period.
- (b) The terms of bond whereby an employee of a Central public enterprise receiving scientific and technical training out the expenses of the Govt./Public Sector Enterprises undertakes to repay this specified amount in the event of his failure to serve the enterprise for a stipulated period after completion of his training should not be enforced against an employee who leaves service of public enterprise to secure, with proper permission, employment under the Central Govt., a public enterprise or an autonomous body wholly or substantially owned/financed/controlled by the Central/State Govt. A fresh bond should be taken from the person concerned to ensure that he serves the new employer for the balance of the original period.
- (c) To ensure that the requirement of obtaining a fresh bond from a person, where necessary, is fulfilled, the enterprise with whom the employee has executed the original bond may at the time of forwarding his application write to the organization etc. under whom the employee intends to take up another appointment intimating them about the bond obligation of the individual and clarifying that in the case

of his selection for the new post, his release will be subject to the condition that the new organization take from him a fresh bond binding him to serve them for the balance of the original bond period; in case he fails to serve the new department/organization etc. or leaves it before completion of the original bond period for a job where exemption from bond obligation is not available, the proportionate bond money should be realised from the individual and refunded to the first organization with whom he originally executed the bond.

2. All the administrative Ministries/Departments are requested to kindly issue necessary instructions accordingly to the public sector enterprises under their administrative control.

(DPE O.M. No. 15(2)/2003-DPE(GM)/GL-57 dated 29th July, 2004)

5. The Lokpal and Lokayktas Act, 2013 - Submission of declaration of assets and liabilities by the public servants.

The undersigned is directed to refer to the subject mentioned above and to say that the Government has since notified the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the limits for Exemption of Assets in Filing Returns) Rules, 2014 under the Lokpal and Lokayuktas Act, 2013 on 14.07.2014. In this regard it may also be noted that as per Section 2(1)(o) of the Act, "Public Servant" in terms of Central Public Sector Enterprises (CPSEs) means a person referred to in clauses (f) of sub-section (1) of section 14 of the Act.

2. In view of above competent authorities has decided to forward herewith a copy of Department of Personnel and Training (DoPT) OM No. 11013/3/2014-Estt.(A) dated 23.07.2014 on the subject mentioned above and to say that all Ministries / Departments may kindly bring its contents to the notice of all CPSEs under their administrative control for compliance.
3. Formal amendment to the Model Conduct, discipline and Appeal Rules for CPSEs will be made in due course.

The Lokpal and Lokayuktas Act, 2013 - Submission of declaration of assets and liabilities by the public servants for each year and placing the same in public domain on the websites of the Ministries/Departments.

The undersigned is directed to refer to the subject mentioned above and to say that the Government has notified/Lokpal_Homepage_New.asp.

2. As per the said Act and the Rules framed thereunder, every public servant shall file declarations section 14 of the Act but does not include a public servant in respect of whom the jurisdiction is exercisable by any court or other authority under the Army Act, 1950, the Air Force Act, 1950, the Navy Act, 1957 and the Coast Guard Act, 1978 or the procedure is applicable to such public servant under those Acts.
3. It may also be noted that the definition of public servant covers all Central Government servants (Groups A, B and C). Therefore, all Central Government servants are required to file the declaration. This is an important difference from the Central Civil Services (Conduct) Rules 1964 and may kindly be noted.
4. As per these Rules, the public servants who have filed declarations, information and annual returns of property under the provisions of the rules applicable to such public servants shall file the revised declarations, information or as the case may be annual returns as on the 1st day of August, 2014, to the competent authority on or before, the 15th day of September, 2014. All Ministries/Department are accordingly, requested to please bring the provisions of the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the limits for Exemption of Assets in filing Returns) Rules, 2014 to the notice of all concerned for compliance.

5. Formal amendment to the Central Civil Service (Conduct) Rules 1964 will be made in due course.
6. Hindi version will follow.

APPENDIX-I

[Rule 3(1)]

Return of Assets and Liabilities on First Appointment or as on the 31st March 20.....*

(Under Sec 44 of the Lokpal and Lokayuktas Act, 2013.)

1. Name of the Public servant in full
(in block letters)
- 2.(a) Present public position held
(Designation, name and address
of organisation)
- (b) Service to which belongs
(if applicable)

Declaration:

I hereby declare that the return enclosed namely, Forms I to IV are complete, true and correct to the best of my knowledge and belief, in respect of information due to be furnished by me under the provisions of section 44 of the Lokpal and Lokayuktas Act, 2013.

Date.....

Signature.....

* In case of first appointment please indicate due of appointment.

.....

Note 1. This return shall contain particulars of all assets and liabilities of the public either in his/her own name or in the name of any other person. The return should include details in respect of assets/liabilities of spouse and dependent children as provided in Section 44 (2) of the Lokpal and Lokayuktas Act, 2013.

(Section 44(2): A public servant shall, within a period of thirty days from the date on which he makes and subscribes an oath or affirmation to enter upon his office, furnish to the competent authority the information relating to:-

- (a) the assets of which he, his spouse and his dependent children are, jointly or severally, owners of beneficiaries;
- (b) his liabilities and that of his spouse and his dependent children.)

Note 2. If a public servant is a member of Hindu Undivided Family with co-parcenary rights in the properties of the family either as a 'Karta' or as a member, he should indicate in the return in Form No. III the value of his share in such property and where it is not possible to indicate the exact value of such share, its approximate value. Suitable explanatory notes may be added wherever necessary.

Note 3. "dependent children" means sons and daughters who have no separate means of earning and are wholly dependent on the public servant for their livelihood. (Explanation below Section 44(3) of Lokpal and Lokayuktas Act, 2013)

APPENDIX-II

[Rule 3(1)]

FORM No. I

Details of Public Servant, his/her spouse and dependent children

Sl. No.	Name	Public Position held, if any	Whether return being filed by him/her, separately
1	Self		
2	Spouse		
3	Dependent-1		
4	Dependent-2		
5	Dependent-3		

* Add more rows, if necessary.

Date.....

Signature.....

FORM No. II

Statement of movable property on first appointment or as on the 31st March, 20....

Details of the movable assets of self, spouse and dependent children:

Sl. No.	Description	Self	Spouse	Dependent	Dependent	Dependent
(i)	Cash in hand					
(ii)	Details of deposit in Bank accounts (FDRs, Term Deposits and all other types of deposits including saving accounts), Deposits with financial institutions, Non-Banking financial Companies and Cooperative societies and the amount in each such deposit	Name of Bank/ Financial Institutions & Nature of Deposit				
(iii)	Details of investment in Bonds, debentures/shares and units in companies/mutual funds and others	Name of company				
(iv)	Details of investment in NSS, postal Saving, Insurance policies and investment in any Financial instruments in post office or insurance Company	Nature of Investment				

Sl. No.	Description	Self	Spouse	Dependent	Dependent	Dependent
(v)	Details of deposit in Provident Fund/New Pension Scheme	Nature of Investment				
(vi)	Personal loans/advance given to any person or entity including firm, company, Trust etc. and other receivables from debtors and the amount (exceeding (a) two months basic pay, where applicable. (b) Rupees one lakh in other cases)	Nature of Debtor				
(vii)	Motor Vehicles/Aircrafts/ Yachts/ ships (Details of make, registration number etc, year of purchase and amount)	Nature of vehicle, registration co. & year of purchase				
	Jewellery, bullion and valuable thing(s) (give details of weight)	Gold				
	JEWELLERY	Silver				

(viii)		Precious stones/ precious metals				
	Bullion	Gold				
		Silver				
		Precious stones / precious metals				
(ix)	Any other assets					
Date.....		Signature.....				
<p>Note 1: Assets in joint name indicating the extent of joint ownership will also have to be given.</p> <p>Note 2: In case of deposits/Investments, the details including Amount, date of deposit, the scheme, Name of the Bank/Institution and Branch are to be given</p> <p>Note 3: Value of Bonds/Share Debentures as per current market value in Stock exchange in respect of listed companies and books value in case of unlisted firms.</p> <p>Note 4: Details including amount is to be given separately in respect of each investment.</p> <p>Note 5: Under (ix) details of movable assets not covered in (i) to (viii) above valuing individually over two months basic pay (where applicable), or Rs. 1.00 lakh may be indicated.</p>						

FORM NO. III

Statement of immovable property on first appointment or as on the 31st March, 20....

(e.g. Lands, House, Shops, Other Buildings, etc.)

[Held by Public Servant, his/her spouse and dependent children]

Sl.No	Description of Property (Land/House/ Flat/Shop/Industrial etc.)	Precise location (Name of District, Division, taluk and village in which the	Area of land (in case of land and buildings)	Nature of land in case of landed property	Extent of interest	If not in name of public servant, state in whose name held and his/her relationship if any to the public servant	Date of acquisition	How acquired (whether by purchase, mortgage, gift or otherwise) and name with details of person/persons from whom acquired (address and connection of the Government servant, if any with the person/persons concerned) (Please see Note 1 below) and cost of acquisition.	Present value of the property (if exact value not known, approx. value may be indicated	Total annual income from the property	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

Date.....

Signature.....

Note (1) For purpose of Column 9, the term "lease" would means a lease of immovable property from year or for any term exceeding one year or reserving a yearly rent, where, however, the lease of immovable property is obtained from a person having official dealings with the Government servant, such a lease should be shown in this Column irrespective of the lease, whether it is short term or long term, and the periodicity of the payment of rent.

FORM No. IV						
Statement of Debts and Other Liabilities on first appointment or as on 31st March, 20....						
Sl.No.	Debtor (Self Spouse of dependent Children)	Amount	Name and address of Creditor	Date of incurring Liability	Details of Transaction	Remarks
Date.....				Signature.....		
Note 1: Individual items of loans not exceeding two months basic pay (where applicable) and Rs. 1.00 lakh in other cases need not be included.						
Note 2: The statement should also include various loans and advances (exceeding the value in Note 1 available from the employer like advance for purchase or conveyance, house building advance, etc. (other than advance of pay and traveling allowance), advance from the GP Fund and loans on Life Insurance Policies and fixed deposits.						

(DPE OM No. A-42011/10/2011-Admn Dated 05-08-2014)

6. The Lokpal and Lokayktas Act, 2013 - Submission of declaration of assets and liabilities by the public servants - extending the time limit.

The undersigned is directed to refer to above mentioned subject along with DPE's OM of even no. dated 5th August 2014, wherein the content of Lokpal and Lokayuktas Act, 2013 was bring into the notice of all Ministries / Departments / Central Public Sector Enterprises (CPSEs) for compliance.

2. In continuation to above, Government has extended the time limit for filing of returns by all public servants from 15th September, 2014 to 31st December, 2014 vide its Gazette Notification dated 8th September 2014 (copy enclosed).

3. All Ministries / Departments are requested to kindly bring the contents of above stated notification to the notice of all CPSEs under their administrative control to ensure compliance within the revised time-limit mentioned therein.

MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS
(Department of Personnel and Training)

NOTIFICATION

New Delhi, the 8th September, 2014

G.S.R. 638(E).--In exercise of the powers conferred by sub-section (1) read with clause (k) and clause (l) of subsection (2) of Section 59 read with Section 44 and Section 45 of the Lokpal and Lokayuktas Act, 2013 (1 of 2014), the Central Government hereby makes the following rules to amend the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Rules, 2014, namely:-

1. (1) These rules may be called the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Amendment Rules, 2014.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Rules, 2014, in rule 3, in the proviso to sub-rule (2), for the words "on or before the 15th day of September, 2014", the words "on or before the 31st day of December, 2014" shall be substituted.

[F.No. 407/12/2014-AVD-IV(B) Pt.-I]
BHASKAR KHULBE,
Addl. Secy.

Note : The principal rules were published in the Gazette of India, Extraordinary vide notification number G.S.R. 501(E), dated the 14th July, 2014.

(DPE F. No. A-42011/10/2011-Admin Dated 12th September, 2014)

7. The Lokpal and Lokayuktas Act 2013: Submission of declaration of assets and liabilities by the public servants - extending the time limit & revised formats - regarding.

The undersigned is directed to refer to above mentioned subject along with DPE's OMs of even no. dated 5th August and 12th September 2014, wherein the contents of Lokpal and Lokayuktas Act, 2013 were forwarded and the time limit for declaration of the assets & liabilities was extended upto to 31st December, 2014.

2. In continuation of above, the Government vide its Gazette Notification dated 26th December 2014 (copy enclosed) has further extended the time limit for submission of declaration of the assets & liabilities by all public servants from 31st December, 2014 to 30th April, 2015. In addition, the Gazette Notification also prescribes a revised format for Form No. II and IV as listed under Appendix-II(copy enclosed) of Principal Rules under the Public Servants Rules, 2014 as notified under the Lokpal and Lokayuktas Act, 2013 on 14-07-2014.

3. All Ministries / Departments are requested to kindly bring the contents of the above stated notification to the notice of CPSEs under their administrative control to ensure compliance within the revised time-limit mentioned therein.

4. Ministries / Departments are also requested to advise the CPSEs under their administrative jurisdiction to suitably amend / modify their Conduct, Discipline & Appeal(CDA) Rules to incorporate the provisions of the said Gazette Notification, including the format/forms under Appendix-I&II. The submission of declaration of assets and liabilities under the above Act is to be made annually.

MINISTRY OF PERSONNEL PUBLIC GRIEVANCES AND PENSIONS
(Department of Personnel and Training)

NOTIFICATION

New Delhi, the 26th December, 2014

G.S.R. 918(E).- In exercise of the powers conferred by sub-section (I) read with clause (k) and clause (I) of sub-section (2) of section 59, section 44 and section 45 of the Lokpal and Lokayuktas Act, 2013 (1 of 2014), the Central Government hereby makes the following rules further to amend the Public Servants(Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Rules, 2014 .namely

1. (1) These rules may be called the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Second Amendment Rules. 2014

(2) They shall come into force on the date of their Publication in the Official Gazette.

2. In the Public Servants (Furnishing of Information and Annual Return of Assets and Liabilities and the Limits for Exemption of Assets in Filing Returns) Rules, 2014 (hereinafter referred to as the principal rules), in rule 3, in the proviso to sub-rule (2), for the words "on or before the 31st day of December, 2014". the words "on or before the 30th day of April, 2015 shall be substituted.

3. In the principal rules, in Appendix II,-

(a) for Form No. II, the following Form shall be substituted, namely:-

"FORM No. II

Statement of movable property on first appointment or as on the 31st March, 20

(Use separate sheets for self, spouse and each dependent child.)

Name of public servant/spouse/dependent child: _____

S.No	Description	Remarks, If any
(i)*	Cash and bank balance	
(ii)**	Insurance (premium paid) Fixed/Recurring Deposit(s) Share/Bonds Mutual Fund(s) Pension Scheme/Provident Fund Other investments, if any	
(iii)	Personal loans/advance given To any person or entity Including firm, company, trust, etc. and other receivables from Debtors and the amount (exceeding two months basic Pay or Rupees one lakh, As the case may be)	
(iv)	Motor Vehicles (Details of make, registration Number, year of purchase and amount paid)	

(v) Jewellery

[Give details of approximate weight (plus or minus 10 gms in respect of Gold and precious stones; plus or minus 100 gms in respect of silver)]

Gold

Silver

Precious metals and precious stones

Composite items

(indicate approximate value)***

(vi) Any other assets [Give details of movable assets not covered in (i) to (v) above]

(a) Furniture

(b) Fixture

(c) Antiques

(d) Paintings

(e) Electronic equipments

(f) Others

[Indicate the details of an asset, only if the total current value of any particular asset in any particular category (e.g. furniture, fixtures, electronic equipments, etc.) exceeds two months basic pay or Rs. 1.00 lakh, as the case may be]

Date..... Signature.....

*Details of deposits in the foreign Bank(s) to be given separately.

** Investments above Rs. 2 lakhs to be reported individually, investments below Rs. 2 lakhs may be reported together

***Value indicated in the first return need not be revised in subsequent returns as long as no new composite item had been acquired or no existing items had been disposed of, during the relevant year.

(a) For Form No. IV, the following Form shall be substituted namely:-

"FORM No. IV

Statement of Debts and Other Liabilities on first appointment or as on 31st March, 20....

Sl.No.	Debtor (Self Spouse of dependent Children)	Amount	Name and address of Creditor	Date of incurring Liability	Details of Transaction	Remarks

Date..... Signature.....

Note 1: Individual items of loans not exceeding two months basic pay (where applicable) and Rs. 1.00 lakh in other cases need not be included.

Note 2: The statement should include various loans and advances (exceeding the value in Note 1) taken from banks, companies financial institutions Central/State Government and from individuals."

[F.No. 407/12/2014-AVD-IV(B)]
JISHNU BARUA. Jt. Secy

Note:- The principal rules were published in the Gazette of India, Extraordinary, vide notification number G.S.R. 501 (E), dated the 14th July, 2014 and amended vide notification No. G.S.R. 638(E) published in the Gazette of India, Extraordinary, dated 8th September, 2014.

(b) Conduct, Discipline & Appeal Rules

1. Timely action to be taken to file an appeal in the High Court/Supreme Court against the decision of the Central Government Industrial Tribunal-cum-Labour Court etc.

Attention of the Government was recently drawn to the decision of a Central Government Industrial Tribunal-cum-Labour Court in respect of an industrial dispute in an organization, where, on the merits of the case, there was ample ground in moving the High Court/Supreme Court. But there was considerable delay in coming to a decision in this regard and hence it was decided that the decision of the Industrial Tribunal-cum-Labour Court need not be contested.

2. The above instance highlights the importance of moving in time while dealing with Labour Court cases so as not to lose what might be good case legally on grounds of time-default or delay. Ministry of Steel and Mines etc. may therefore, ensure that action is initiated in time to stay the judgements delivered by Labour Courts etc. and to contest the same wherever considered necessary within the prescribed time limit, after following the prescribed procedure. Suitable instructions may also be issued to the Public Enterprises and other organisations who are likely to face such situations from time to time.

(No. BPE/GL-008/78/MAM/2(31)/78-BPE(GM-I) dated 22nd April, 1978)

2. Sanction for prosecution of a public servant.

The Ministry of Home Affairs have brought it to our notice that in a recent case the sanction for prosecution of a public servant who could be removed from his office by the Board of Directors of a Public Sector Corporation was held by a Court of Law as null and void on the ground that there was no proper application of mind by the sanctioning authority viz. the Board of Directors, as the necessary materials viz. documents and other evidence collected by the prosecution, to accord sanction for prosecution were never placed before the Members of the Board of Directors and consequently they could not have applied their minds to the issue. It was stated that the Chairman of the Board of Directors had merely narrated the facts of the case to the Members of the Board giving his assessment that it was a fit case for prosecution, and the members had approved the sanction for prosecution.

2. Section 6 of the Prevention of Corruption Act, 1947 provide that previous sanction of the authority competent to remove a public servant from his office is necessary for his prosecution under section 161 or 164, or Section 165 of the Indian Penal Code or under sub-section (2) or sub-section (3-A) of Section 5 of the Prevention of Corruption Act. In order to avoid a lacunae of the type referred to above, the following procedure

has been evolved in consultation with the Ministry of Law, for adoption by the Public Sector Enterprises in respect of the public servants who can be removed from their office by the Board of Directors.

- a. A distinct item regarding the grant of sanction for prosecution of the concerned public servant should be on the regular agenda of the meeting of the Board of Directors so that all the members present may be aware of the subject matter which will come up for discussion.
- b. Relevant papers, documents, evidence or any other material furnished by the Prosecution, should be placed before the members of the Board of Directors.
- c. All the members of the Board of Directors in the light of the documents, evidence before them are required to apply their mind to the facts and circumstances of the case. Having done that, they are to take a decision, unanimously or by a majority vote, to grant the sanction or to withhold it.
- d. A record of the proceedings of the meeting regarding (a) to (c) above, should be kept properly in the minute book, as an adequate evidence of the collective application of mind by the Board of Directors.

(BPE DO No. 2(3)/79-BPE(GM-I) dated 6th March, 1979)

3. Acceptance of resignation tendered by officers against whom disciplinary cases are pending or contemplated.

The Committee on Public Undertakings in their 50th Report (7th Lok Sabha) expressed concern at the helplessness of the Ministry and the Public Enterprises when certain officers against whom departmental proceedings had been initiated could not be prosecuted of the charges framed against them as they left the service of the company by invoking the contractual clause relating to three months notice, which forms an essential ingredient of the terms and conditions of appointment in the public sector enterprises. Similar cases have been brought to the notice of the Bureau by the Central Vigilance Commission. It is noted that under the extant dispensation, such executives could stop coming on duty after the expiry of the notice period indicated in their letter of resignation.

2. The Bureau of Public Enterprises had examined this matter for finding suitable safeguards to ensure that the delinquent officers do not go Scot free by merely resigning from posts in public undertakings, in consultation with the CVC, DP&AR and the Ministry of Law. It has been suggested that the problem could be tackled on two fronts, that is, at the induction level and the termination level. As far as the safeguards which are required to be taken at the time of induction of an individual candidate are concerned, the instructions spelt in the BPE's Confidential D.O. letter No.2(34)/78-BPE(GM.I) dated 6th June 1979 relating to the verification of character and antecedents including finding out the circumstances under which the candidate has submitted his resignation in the previous employment are considered good enough to prevent entry of undesirable elements in the service of an enterprise. Proper dissemination of information relating to the disadvantages of not-adhering to the procedure for having their applications routed 'Through Proper Channel' as per the BPE's OM dt. 14.12.82 could also have a salutary effect in this regard.

3. As far as the termination of service is concerned, the administrative Ministries have been advised vide BPE's 'Secret' D.O. letter dt. 19th December, 1982, dealing with the terms and conditions of appointment of the incumbents of the Top posts to incorporate a clause in the said terms and conditions of appointment that the Government reserves the right not to accept the resignation of the Chief Executives and other Executives at the Board level if the circumstances so warrant, that is, if the disciplinary proceedings are pending or a decision

has been taken by the competent authority to issue a charge sheet etc. A similar provision may be incorporated in the terms and conditions of appointment of the Executives below the Board level. In such situation it will not then be open to the Executives to get 'discharge-simplicitor'.

4. I, therefore, request you that the issues raised in the preceding paragraphs may be placed before the Board of Directors of the enterprise and appropriate decision taken regarding non-acceptance of the resignation of the Executives under the circumstances specified above.

5. A line in reply about the action taken will be highly appreciated.

(BPE DO No. 2(21)/82-BPE(GM-I) dated 19th January, 1983)

4. Restriction on political activities of employees of PSUs.

The Committee of Secretaries in their meeting held on 30.10.81 had suggested that an exercise may be undertaken by the Bureau of Public Enterprises/Department of Personnel in consultation with other Ministries/Departments to identify the undertakings, irrespective of the manner of their incorporation, which are performing sovereign functions of the Government and other essential services such as security, defence etc., so as to consider the question of placing reasonable restrictions on political activities by their employees in the public interest.

2. The opinion of the Law Ministry who were consulted by the Ministry of Home Affairs in this regard was that it was open to the employer to evolve executive policy in order to restrict the activities of his employees, regulating the discipline amongst them according to the compulsions of the circumstances so long as such restrictions were reasonable, fair and not grossly unjust.

3. Any measure whereby political activities of the employees of the Public Enterprises are sought to be restricted in the above manner could not be regarded as unreasonable or unjust and, therefore, the view of the Law Ministry is that there appeared to be no legal objection to imposing the aforesaid restrictions.

4. An exercise has been carried out by the Ministry of Home Affairs in consultation with us and the following public enterprises under your administrative control have been identified as sensitive for this purpose.

5. The following kinds of activities of the employees could be prohibited by amending the Certified Standing Orders or the CDA rules, as the case may be:

- (i) to be an office-bearer of a political party or an organization which takes part in politics ;
- (ii) to take part in or assist in any manner in any movement/agitation or demonstration of a political nature ;
- (iii) to take part in an election to any legislature or local authority ;
- (iv) to canvass in any election to any legislature or local authority.

6. If you have any reservation in this regard or if there are any other enterprises under your administrative control in which you would like to place similar restrictions, kindly get in touch with the Ministry of Home Affairs (I.S. Division) under intimation to the BPE.

ANNEXURE-I

Name of the addressees	Companies involved
1. Shri. Thomas Kora, Secretary, Ministry of Communication	Indian Telephone Industries
2. Sh. M.C Sarin, Secretary, Defence Production	Bharat Dynamics Ltd., Bharat Electronics Ltd., Garden Reach Shipbuilders & Engineers Ltd., Goa Shipyard Ltd., Hindustan Aeronautics Ltd., Mazagon Dock Ltd., Mishra Dhatu Niagam Ltd., and Praga Tools Ltd. (Total 8)
3. Shri S. B. Lal, Secretary, Deptt. of Coal	Bharat Coking Coal Ltd., Central Coal-Fields Ltd., Coal India Ltd., Eastern Coal-Fields Ltd., Neyveli Lignite Corpn. Ltd., and Western Coalfields Ltd. (Total 6)
4. Shri A. S Gill Secretary, Deptt. of Petroleum	Bharat Petroleum Corpn. Ltd, Bongaigaon Refineries & Petrochemicals Ltd., Cochin Refineries Ltd., Hindustan Petroleum Corpn. Ltd., Madras Refineries Ltd., Oil & Natural Gas Commission, Oil India Ltd. (Total 9)
5. Shri Prakash Narain, Secretary, Ministry of Shipping & Transport	Cochin Shipyard Ltd. and Hindustan Shipyard Ltd. (Total 2)
6. Shri Lovraj Kumar, Secretary, Deptt. of Steel	Steel Authority of India Ltd.
7. Dr. R. Ramanna, Secretary, Deptt. of Atomic Energy	Electronics Corp of India Ltd., Indian Rare Earth Ltd., Uranium Corp of India Ltd. (Total 3)
8. Shri S. R. Vijayakar, Secretary, Deptt. of Electronics	Semi Conductors Complex Ltd.
9. Dr. S. Vardarajan Secretary Deptt. of Science & Technology	Central Electronics Ltd.

(BPE D.O. No. 15(7)/83-GM dated 21st July, 1984

5. CCS (CC&A) Rules 1965—Rule 14(8)(a) - Request of a delinquent official for permission to engage a Legal Practitioner to defend his case before the Inquiry Officer

The undersigned is directed to refer to the Department of Personnel and Administrative Reforms O.M. No. 11012/7/83-Estt.(A) dated 23.7.1984 on the above subject (reproduced below).

2. Ministry of Industry etc. are requested to bring the contents of the Office Memorandum of the Department of Personnel and A.R. referred to above to the notice of the public enterprises under their administrative control and advise them to incorporate the above provisions in their relevant CDA rules accordingly.

Copy of O.M. No. 11012/7/83-Estt.(A) dated 23.7.1984 from Department of P.&A.R. regarding CCS (CC&A) Rules, 1965—Rule 14(8)(a)—Request of a delinquent official for permission to engage a Legal Practitioner to defend his case before the Inquiry Officer.

The undersigned is directed to refer to Rule 14(8)(a) of the Central Civil Services (Classification, Control and Appeal) Rules, 1965 which provides, inter-alia, that a delinquent Government servant against whom disciplinary proceedings have been instituted as for imposition of a major penalty may not engage a legal practitioner to present the case on his behalf before the Inquiring authority, unless the Presenting Officer appointed by the disciplinary authority is a legal practitioner, or the disciplinary authority, having regard to the circumstances of the case, so permits. It is clarified that, when on behalf of the disciplinary authority, the case is being presented by a Prosecuting Officer of the Central Bureau of Investigation or a Government Law Officer (Such as Legal Adviser, Junior Legal Adviser), there are evidently good and sufficient circumstances for the disciplinary authority to exercise his discretion in favour of the delinquent officer and allow him to be represented by a Legal Practitioner. Any exercise of discretion to the contrary in such cases is likely to be held by the court as arbitrary and prejudicial to the defence of the delinquent Government servant.

2. The Ministry of Finance, etc., are requested to bring the contents of the O.M. to the notice of all disciplinary authorities etc.

(BPE No. 15(34)/84-BPE(GM) dated 21st August, 1984)

6. Restriction on political activities of employees of PSUs.

The question of restricting the political activities of the employees of the Public Sector Undertakings was examined earlier in consultation with the Ministry of Home Affairs, Ministry of Law and other Ministries. As a result of that examination, certain undertakings were identified as 'sensitive with a view to restricting the political activities of their employees. A list of these undertakings is enclosed as Annexure I. The concerned administrative Ministries were accordingly advised, Vide D.O. letter of even number dated 21st July, 1984 (copy enclosed—S. No. 105 above).

2. It has now been decided to extend similar restrictions in respect of officers of all the public sector undertakings. The following kinds of activities of the officers could be prohibited by amending the CDA rules:—

- (i) to be an office-bearer of a political party or an organization which takes part in politics;
- (ii) to take part in or assist in any manner in any movement/ agitation or demonstration of a political nature;
- (iii) to take part in an election to any legislature or local authority;
- (iv) to canvass in any election to any legislature or local authority.

3. I, therefore, request you to issue necessary instructions placing these restrictions on the officers of the Public Sector Undertakings under the administrative control of your Ministry/Department.

(BPE D.O. No. 15(7)/83-GM dated 23rd February, 1988)

7. Suspension of suspect officials in corruption cases

Please refer to this Bureau's letter of even number dated 1st March, 1985 forwarding therewith copies of the Department of Personnel & Training O.M. Nos. 142/5/84-AVD.I dated 16.2.85 and 43/56/64-AVD dated 22nd October, 1964 on the subject mentioned above. The Department of Personnel & Training has further

considered the matter and issued revised instructions vide O.M. No.142/5/84-AVD(I) dated 20th June, 1986. A copy of the same is, therefore, forwarded for information and necessary action.

Copy of DOPT OM No.142/5/84-AVD (I) dated 20th June, 1986 regarding suspension of suspect officials in corruption cases.

The undersigned is directed to refer to Ministry of Home Affairs O.M. No.43/56/64-AVD(I) dated 22nd October, 1964 and this Department's O.M. of even number dated 16th February, 1985 (Copy enclosed) which indicate broadly the circumstances in which the disciplinary authority may consider it appropriate to place a Government Servant under suspension. It has been brought to the notice of this Department that the request of the Central Bureau of Investigation to the Administrative Department for placing under suspension the concerned Government Servant involved in a case of corruption is not being acted upon in some cases inter-alia on the ground that the rules/instructions do not provide for the same. The matter has, therefore, been considered further in this Department and it is clarified that in the following case, there may be adequate justification for placing the concerned government servant under suspension, on the request received from the CBI or otherwise, at the stage indicated against each type of case:

- i. In a case where a trap has been laid to apprehend a government servant while committing an act of corruption (usually receiving illegal gratification) and the Govt. servant has been so apprehended; immediately after the Govt. Servant has been so apprehended.
- ii. In a case where, on conducting a search, it is found that a Govt. Servant is in possession of assets disproportionate to his known sources of income and it appears, *Prima facie* that a charge under section 5(i) (e) of the Prevention of Corruption Act could be laid against him; immediately after the prima facie conclusion has been reached.
- iii. In a case where a charge sheet accusing a Govt. servant of specific acts of corruption of any other offence involving moral turpitude has been filed in a Criminal Court;—immediately after the filing of the charge sheet.
- iv. In a case where, after investigation by the CBI a prima facie case is made out and pursuant thereto Regular Departmental Action for imposition of a major penalty has been instituted against a Govt. Servant and a charge sheet has been served upon him alleging specific acts of corruption or gross misconduct involving moral turpitude; - immediately after the charge sheet has been served upon the Govt. servant.

2. It is requested that the instructions contained in this O.M. may kindly be brought to the notice of all concerned confidentially for guidance and necessary action. The Ministry of Industry (Bureau of Public Enterprises) and the Banking Division and the Insurance Division of the Department of Economic Affairs may also kindly bring these instructions to the notice of the Public Sector Undertakings, Nationalized Banks and Insurance Corporation/ Companies.

(BPE letter No. 15(7)/85-GM dated 19th September, 1988)

8. Acceptance of resignation tendered by officers against whom disciplinary cases are pending or contemplated.

I am directed to refer to the Bureau's Secret D.O. Letter No.2(21)/82-BPE(GM-I) dt. 19.1.1983 (copy enclosed- Sl.No. 102 above) wherein it was inter-alia, suggested that the question of including a suitable clause to the effect that the management reserves the right not to accept resignation tendered by Executives in the terms and conditions of appointment may be placed before the Board of Directors of the enterprise for an appropriate decision. It was with view to ensure that delinquent officers do not go scot free by merely resigning.

It has now been brought to the notice of the Bureau that many Chief Vigilance Officers of public enterprises are not aware of these instructions. These instructions are, therefore, once again being brought to your notice for appropriate action.

(BPE letter No. 15(5)/89-GM dated 16th August, 1989)

9. Extension of circulars issued by DOPT regarding conduct rules of Government Servants to PSUs

I am directed to forward herewith a copy each of the three notifications/office memoranda mentioned below, issued by the Department of Personnel & Training concerning Conduct Rules of Government Servants for your information and necessary action in the matter by the Company in the context of its own employees.

- i. DOPT OM No. 11013/6/91-ESTT.(A) dated 8.4.92 regarding intimation of total amount of shares purchased in the year by the employees .
- ii. DOPT Notification No. 11012/4/86-ESTT.(A) dated 13.7.90 & 26.5.92 regarding amendment to Rule 11 of the CCS (CCA) Rules, 1965.
- iii. DOPT OM No. 22011/1/91-ESTT.(A) Dated 31.7.91 regarding review of instructions on promotions of Government Servants whose conduct is under investigation.

Copy of DOPT OM No. 11013/6/91-Estt. (A) dated 8.4.92 regarding CCS [Conduct] Rules, 1964—Transactions in sale and purchase of shares and debentures etc.

As the Ministries/Departments are aware, the provisions of sub- rule(4) of Rule 18 of the CCS [Conduct] Rules, 1964 provide that the Government or the prescribed authority may, at any time, by general or special order, require a Government Servant to furnish within a period specified in the order, a full and complete statement of such movable or immovable property held or acquired by him or on his behalf or by any member of his family as may be specified in the order. Such statement shall, if so required by the Government or by the prescribed authority, include the details of the means by which or the source from which, such property was acquired.

2. Sub-rule (1) of the Rule 16 also provides that no Government Servant shall speculate in any stock, share or other investment. It has also been explained that frequent purchase or sale or both, of shares, securities or other investments shall be deemed to be speculation within the meaning of this sub-rule.

3. It has been brought to the notice of the Government that a number of employees are investing in shares, securities and debentures etc. frequently. With a view to enable the administrative authorities to keep a watch over such transactions, it has been decided that an intimation may be sent in the enclosed Proforma to the prescribed authority in the following cases:

- i. Group 'A' & 'B' Officers:— If the total transactions in shares, securities, debentures or mutual funds scheme etc. exceeds Rs. 50000/- during the calendar year.
- ii. Group 'C' & 'D' Officers:— If the total transactions in shares, securities, debentures or mutual funds scheme etc. exceeds Rs. 25000/- during the calendar year.

4. It is clarified that since shares, securities, debentures etc. are treated as movable property for the purpose of Rule 18 (3) of the CCS [Conduct] Rules, 1964 if an individual transaction exceeds the amount prescribed in Rule 18(3), the intimation to the prescribed authority would still be necessary. The intimation prescribed in para 3 will be in addition to this, where cumulative transaction[s] i.e. sale, purchase or both in shares, securities, debentures or mutual funds etc. in a year exceed the limits indicated in para 3.

5. In so far as the personnel serving in the Indian Audit and Accounts Department are concerned, these instructions are being issued after consultation with the Comptroller & Auditor General of India.
6. Ministry of Agriculture, etc. are requested to bring these instructions to the notice of all concerned authorities under their control.

ANNEXURE

Form for giving intimation under Rule 18(4) of CCS [Conduct] Rules, 1964 for transactions in shares, securities, debentures and investment in mutual fund schemes etc.

1. Name and Designation
2. Scale of pay and present pay
3. Details of each transaction made in shares, securities, debentures, mutual funds scheme etc. during the calendar year.
4. Particulars of the party/firm with whom transaction is made:—
 - a) Is party related to the applicant?
 - b) Did the applicant have any dealings with the party in his official capacity at any time or is the applicant likely to have any dealings with him in the near future?
5. Source or sources from which financed:—
 - a) Personal savings
 - b) Other sources giving details
6. Any other relevant fact which applicant may like to mention

DECLARATION :

I hereby declare that the particulars given above are true.

Station :

Signature.....

Date :

Designation.....

[To be Published in Part II Section 3 Sub-section II of the Gazette of India]

Copy of DOPT Notification No. 11012/4/86-Estt. (A) dated 13th July, 1990 and 26-5-92 an amendment to Rule 11 the CCS(CCA) Rules, 1965

S.O. No. In exercise of the powers conferred by the Provisions to Article 309 and Clause [5] of Article 148 of the Constitution, and after consultation with the Comptroller & Auditor General of India in relation to persons serving in the Indian Audit and Accounts Department, the President hereby makes the following rules further to amend the Central Civil Services (Classification, Control & Appeal) Rules, 1965 namely:

1. (1) These rules may be called the Central Civil Services [Classification, Control and Appeal] Amendment Rules 1990.
- (2) They shall come into force on the date of their publication in the official Gazette.

2. In rule 11 of the Central Civil Services [Classification, Control & Appeal] Rules, 1965 under the heading 'Minor Penalties' after Clause(iii), the following clause shall be inserted namely:–
“(iii a) reduction to a lower stage in the time scale of pay for a period not exceeding 3 years, without cumulative effect and not adversely affecting his pension”.

Copy of DOPT Notification No. 11012/4/86-Estt. (A) dated 26.5.1992

S.O. In exercise of the powers conferred by the provisions to Article 309 and clause [5] of Article 148 of the Constitution, and after consultation with the Comptroller and Auditor General of India in relation to persons serving in the Indian Audit and Accounts Department, the President hereby makes the following rules further to amend the Central Civil Services [Classification, Control, Appeal] Rules, 1965 namely :

1. (1) These rules may be called the Central Civil Services [Classification, Control, Appeal] Rules, 1992.
(2) These rules shall come into force from the date of their publication in the Official Gazette.
2. In rule 11 of the Central Civil Services [Classification, Control, Appeal] Rules, 1965, under the heading “Major Penalties” for clause [V], the following clause shall be substituted, namely :-
‘[V] Save as provided for in Clause (iii a), reduction to a lower stage in this time scale of pay for a specified period, with further directions as to whether or not the Government servant will earn increments of pay during the period of such reduction and whether on the expiry of such period, the reduction will or will not have the effect of postponing the future increments of his pay’.

Copy of DOPT OM No. 22011/1/91-Estt. (A) dated 31.7.1991 regarding review of Instructions on Promotion of Government Servants whose conduct is under investigation.

The undersigned is directed to refer to the Ministry’s O.M. No. 22011/2/86-Estt.[A] dated 12.1.88 regarding procedure and guidelines to be followed in the matter of promotion of Government Servants against whom disciplinary/court proceedings are pending or whose conduct is under investigation and to say that in view of various judicial pronouncements subsequent to the issue of aforesaid O.M., the question of applicability of sealed cover procedure in respect of Government Servants against whom an investigation on serious allegations of corruption, bribery or similar grave misconduct is in progress either by the C.B.I. or any other agency, departmental or otherwise as envisaged in para 2[iv] of that O.M. has been reviewed and it has been decided in consultation with the Ministry of Law that para 2[iv] of the O.M. 22011/2/86-Estt.[A] dated 12-1-1988 be deleted with immediate effect.

2. It is further clarified that:–
i. All cases kept in sealed cover on date of this O.M. on account of conditions obtainable in para 2[iv] of the O.M. dated 12.1.88 will be opened. If the official had been found fit and recommended by DPC, he will be notionally promoted from the date his immediate junior had been promoted. The pay of the higher post would, of course, be admissible only on assumption of actual charge in view of provisions of FR 17[i] [since only officiating arrangements if necessary and giving promotion in such cases].

- ii. If any case is in a sealed cover on account of any of the other conditions mentioned in para 2[i] to 2[iii] of the O.M. Dated 12.1.88, the case will continue to be in the sealed cover.
- iii. On opening of the sealed cover because of deletion of para 2[iv], if an officer is found to have been recommended as 'unfit' by the DPC, no further action would be necessary.
- 3. In so far as the personnel serving in the Indian Audit and Accounts Department are concerned, these instructions have been issued after consultation with the Comptroller & Auditor General of India.

(DPE O.M. No. 15(1)/92-GM dated 4th September, 1992)

10. Directive on amendment in the Conduct, Discipline and Appeal Rules and Standard Orders pertaining to the Supreme Court judgement in the case of Vishaka and others Vs. State of Rajasthan and Others.

The undersigned is directed to say that in the case of Vishaka and Others Vs. State of Rajasthan and Others (JT 1997(7) SC 384), the Hon'ble Supreme Court has laid down guidelines and norms to be observed to prevent sexual harassment of working women.

2. It has been laid down in the above mentioned judgement that it is the duty of the employer or other responsible persons in working places or other institutions to prevent or deter the commission of acts of sexual harassment and to provide the procedure for the resolution, settlement or prosecution of acts of sexual harassment by taking all steps required. For this purpose, sexual harassment includes such unwelcome sexually determined behaviour (whether directly or by implication) as:-

- a) physical contact and advances;
- b) a demand or request for sexual favours;
- c) sexually coloured remarks;
- d) showing pornography;
- e) any other unwelcome physical, verbal or non-verbal conduct of sexual nature.

3. Any act of sexual harassment of women employees is definitely unbecoming of a PSU employee and amounts to a misconduct. Appropriate disciplinary action should be initiated in such cases against the delinquent PSU employee in accordance with the rules.

4. Where such conduct amounts to a specific offence under the Indian Penal Code or under any other law, the concerned authorities shall initiate appropriate action in accordance with law by making a complaint with the appropriate authority.

5. In particular, it should be ensured that victims, or witnesses are not victimized or discriminated against while dealing with complaints of sexual harassment. The victims of sexual harassment should have the option to seek transfer of the perpetrator or their own transfer.

6. **Complaint Mechanism:-** Whether or not such conduct constitutes an offence under law or a breach of the service rules, an appropriate complaint mechanism, should be created in every organisation for redressal of the complaint made by the victim. Such complaint mechanism should ensure time bound treatment of complaints. Wherever such machineries for redressal of grievance already exist, they may be made more effective and in particular women officers should preferably handle such complaints.

7. **Awareness:**— Awareness of the right of female employees in this regard should be created in particular by prominently notifying the guidelines (copy enclosed) in a suitable manner.

8. All the Ministries/Departments are requested to direct the public sector undertakings under their administrative control to make necessary amendments in the CDA Rules of such PSUs on the line of the guidelines laid down by the Supreme Court. For guidance, a copy of the notification issued by DOPT amending the CCS (Conduct) Rules, 1964 is enclosed.

ENCLOSURES

Copy of DOPT's O.M.No.11013/10/97-Estt.(A) dated 13th February, 1998 regarding CCS (Conduct) Rules, 1964—Supreme Court Judgement in the case of Vishaka Vs. State of Rajasthan regarding sexual harassment of working women.

The undersigned is directed to say that in the case of Vishaka and Others Vs. State of Rajasthan and Others (JT 1997 (7) SC 384), the Hon'ble Supreme Court has laid down guidelines and norms to be observed to prevent sexual harassment of working women.

2. It has been laid down in the judgement above-mentioned that it is the duty of the employer or other responsible persons in work places or other institutions to prevent or deter the commission of acts of sexual harassment and to provide the procedure for the resolution, settlement or prosecution of acts of sexual harassment by taking all steps required. For this purpose, sexual harassment includes such unwelcome sexually determined behaviour (whether directly or by implication) as:

- a) physical contact and advances;
- b) a demand or request for sexual favours;
- c) sexually coloured remarks;
- d) showing pornography;
- e) any other unwelcome physical, verbal or non-verbal conduct of sexual nature

3. Attention in this connection is invited to Rule 3 (i) (iii) of the CCS (Conduct) Rules, 1964, which provides that every Government servant shall at all times do nothing which is unbecoming of a Government servant. Any act of sexual harassment of women employees is definitely unbecoming of a Government servant and amounts to a misconduct. Appropriate disciplinary action should be initiated in such cases against the delinquent Government servant in accordance with the rules.

4. Where such conduct amounts to a specific offence under the Indian Penal Code or under any other law, the concerned authorities shall initiate appropriate action in accordance with law by making a complaint with the appropriate authority.

5. In particular, it should be ensured that victim or witnesses are not victimized or discriminated against while dealing with complaints of sexual harassment. The victims of sexual harassment should have the option to seek transfer of the perpetrator or their own transfer.

6. **Complaint Mechanism:**— Whether or not such conduct constitutes an offence under law or a breach of the service rules, an appropriate complaint mechanism, should be created in every organization for redress of the complaint made by the victim. Such complaint mechanism should ensure time bound treatment of complaints. Wherever such machineries for redressal of grievance already exist, they may be made more effective and in particular women officers should preferably handle such complaints.

7. **Awareness:**— Awareness of the rights of female employees in this regard should be created in particular by prominently notifying the guidelines (copy enclosed) in a suitable manner.
8. A specific provision is, however, being made in the CCS (Conduct) Rules, 1964, prohibiting sexual harassment of women by Government servants, in compliance of the Judgement of the Hon'ble Supreme Court.
9. The Ministries/Departments are requested to bring these instructions to the notice of all concerned for strict compliance.
10. In so far as persons serving in the Indian Audit and Accounts Department are concerned, these instructions issue after consultation with the Comptroller and Auditor General of India.

Copy of DoPT's Notification No.11013/10/97-Estt(A) dated 13.2.1998

G.S.R..... In exercise of the powers conferred by the proviso to article 309 and clause (5) of article 148 of the constitution and after consultation with the Comptroller and Auditor General of India in relation to persons serving in the Indian Audit and Accounts Department, the President hereby makes the following rules further to amend the Central Civil Services (Conduct) Rules, 1964, namely:-

1. (1) These rules may be called the Central Civil Services (Conduct) Amendment Rules, 1998.
(2) They shall come into force on the date of their publication in the official Gazette.
2. In the Central Civil Services (Conduct) Rules, 1964, after rule 3B, the following rule shall be inserted, namely :-
“3C – Prohibition of sexual harassment of working women
(1) No Government servant shall indulge in any act of sexual harassment of any woman at her work place.
(2) Every Government servant who is in-charge of a work place shall take appropriate steps to prevent sexual harassment to any woman at such work place.

Explanation—For the purpose of this rule, “sexual harassment” includes such unwelcome sexually determined behaviour, whether directly or otherwise, as-

- (a) physical contact and advances;
- (b) demand or request for sexual favours;
- (c) sexually coloured remarks;
- (d) showing any pornography; or
- (e) any other unwelcome physical, verbal or non-verbal conduct of a sexual nature”.

NOTE : The Principal Rules were published in the Gazette of India vide Ministry of Home Affairs Notification No.15/4/63-Estt.(A) dated 30th November, 1964, [S.O. No.4177 dated the 12th December 1964, Part II, Section 3, Sub-section (ii)]

S.No.	Notification No.	Published in the Gazette of India Part II Section 3 Sub Section (ii)	
		S.O. No.	Date
1.	25/23/68-Estt.(A)	03.02.70482	14.02.70
2.	25/11/72-Estt.(A)	24.10.723643	04.11.72
3.	25/57/64-Estt.(A)	05.01.7383	13.01.73
4.	11013/12/75-Estt.(A)	13.02.76846	28.02.76
5.	25/19/74-Estt. (A)	30.06.762563	17.07.76
6.	11013/19/75-Estt.(A)	06.07.762691	24.07.76
7.	11013/06/75-Estt.(A)	24.11.764663	11.12.76
8.	11013/4/76-Estt.(A)	24.08.772859	17.09.77
9.	11013/03/78-Estt.(A)	22.09.782859	30.09.78
10.	11013/12/78-Estt.(A)	22.12.783	06.01.80
11.	11013/3/80-Estt.(A)	24.04.881270	10.06.80
12.	11013/21/85-Estt.(A)	03.10.854812	19.10.85
13.	11013/6/85-Estt.(A)	21.02.86935	08.03.86
14.	11013/11/85-Estt.(A)	07.03.861124	22.03.86
15.	11013/5/86-Estt.(A)	04.09.863159	20.09.86
16.	11013/16/85-Estt.(A)	10.09.863280	27.09.86
17.	11013/1/87-Estt.(A)	27.07.871965	08.08.87
18.	11013/19/87-Estt.(A)	19.04.881454	14.05.88
19.	11013/18/87-Estt.(A)	18.09.902582	06.10.90
20.	11013/20/91-Estt.(A)	09.12.923132	26.12.92
21.	11013/4/93-Estt.(A)	12.07.95	GSR 355 29.07.95
22.	11013/4/93-Estt.(A)	16.08.96	GSR 367 31.08.96

Copy of Guidelines and norms laid down by the Hon'ble Supreme Court in Vishaka and Others Vs. State of Rajasthan and Others (JT 1997 (7) SC 384)

HAVING REGARD to the definition of 'human rights' in Section 2 (d) of the Protection of Human Rights Act, 1993, TAKING NOTE of the fact that the present civil and penal laws in India do not adequately provide for specific protection of women from sexual harassment in work places and that enactment of such legislation will take considerable time,

It is necessary and expedient for employers in work places as well as other responsible persons or institutions to observe certain guidelines to ensure the prevention of sexual harassment of women.

1. **Duty of the Employer or other responsible persons in work places and other institutions:** It shall be the duty of the employer or other responsible persons in work places or other institutions to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of acts, of sexual harassment by taking all steps required.

2. **Definition:** For this purpose, sexual harassment includes such unwelcome sexually determined behaviour (whether directly or by implication) as:

- a) Physical contact and advances;
- b) A demand or request for sexual favours;
- c) Sexually coloured remarks;
- d) Showing pornography;
- e) Any other unwelcome physical, verbal or non-verbal conduct of sexual nature

Where any of these acts is committed in circumstances where-under the victim of such conduct has a reasonable apprehension that in relation to the victim's employment or work whether she is drawing salary, or honorarium or voluntary, whether in government, public or private enterprise such conduct can be humiliating and may constitute a health and safety problem. It is discriminatory for instance when the woman has reasonable grounds to believe that her objection would disadvantage her in connection with her employment or work including recruiting or promotion or when it creates a hostile work environment. Adverse consequences might be visited if the victim does not consent to the conduct in question or raises any objection thereto.

3. **Preventive Steps:** All employers or persons in charge of work place whether in public or private sector should take appropriate steps to prevent sexual harassment. Without prejudice to the generality of this obligation they should take the following steps:

- (a) Express prohibition of sexual harassment as defined above at the work place should be notified, published and circulated in appropriate ways.
- (b) The Rules/Regulations of Government and Public Sector bodies relating to conduct and discipline should include rules/regulations prohibiting sexual harassment and provide for appropriate penalties in such rules against the offender
- (c) As regards private employers, steps should be taken to include the aforesaid prohibitions in the standing orders under the Industrial Employment (Standing Orders) Act, 1946.
- (d) Appropriate work conditions should be provided in respect of work, leisure, health and hygiene to further ensure that there is no hostile environment towards women at work places and no employee woman should have reasonable grounds to believe that she is disadvantaged in connection with her employment.

4. **Criminal Proceedings:** Where such conduct amounts to a specific offence under the Indian Penal Code or under any other law, the employer shall initiate appropriate action in accordance with law by making a complaint with the appropriate authority.

In particular, it should ensure that victims, or witnesses are not victimized or discriminated against while dealing with complaints of sexual harassment. The victims of sexual harassment should have the option to seek transfer of the perpetrator or their own transfer.

5. **Disciplinary Action:** Where such conduct amounts to misconduct in employment as defined by the relevant service rules, appropriate disciplinary action should be initiated by the employer in accordance with those rules.

6. **Complaint Mechanism:** Whether or not such conduct constitutes an offence under law or a breach of the service rules, an appropriate complaint mechanism should be created in the employer's organisation for redress of the complaint made by the victim. Such complaint mechanism should ensure time bound treatment of complaints.

7. **Complaints Committee:** The complaint mechanism, referred to in (6) above, should be adequate to provide, where necessary, a Complaints Committee, a special counsellor or other support service, including the maintenance of confidentiality.

The Complaints Committee should be headed by a woman and not less than half of its member should be women. Further, to prevent the possibility of any undue pressure or influence from senior levels, such Complaints Committee should involve a third party, either NGO or other body who is familiar with the issue of sexual harassment.

The Complaints Committee must make an annual report to the Government department concerned of the complaints and action taken by them.

The employers and person in charge will also report on the compliance with the aforesaid guidelines including on the reports of the Complaints Committee to the Government department.

8. **Worker's Initiative:** Employees should be allowed to raise issues of sexual harassment at workers' meeting and in other appropriate forum and it should be affirmatively discussed in Employer-Employee Meetings.

9. **Awareness:** Awareness of the rights of female employees in this regard should be created in particular by prominently notifying the guidelines (and appropriate legislation when enacted on the subject) in a suitable manner.

10. **Third Party Harassment:** Where sexual harassment occurs as a result of an act or omission by any third party or outsider, the employer and person in charge will take all steps necessary and reasonable to assist the affected person in terms of support and preventive action.

11. The Central/State Governments are requested to consider adopting suitable measures including legislation to ensure that the guidelines laid down by this order are also observed by the employers in Private Sector.

12. These guidelines will not prejudice any rights available under the Protection of Human Rights Act, 1993.

(DPE O.M.No. DPE/15(4)/98(GL-004)/GM dated 29th May, 1998)

11. Acceptance of gift by Government servants.

The undersigned is directed to forward herewith a copy of a letter No. 002-MSD/70 dated the 27th August, 2003 issued by Central Vigilance Commission on the subject mentioned above with the request that the contents of the aforesaid letter may kindly be brought to the notice of all Public Sector Enterprises under administrative control of Ministries/ Departments for strict implementation under intimation to this Department.

Copy of CVC's letter No. 002-MSD / 70 dated the 27th August, 2003 Acceptance of gifts by Government servants

Gifts are presented by the public sector undertakings, banks etc. to a number of persons including government officials during festive occasions, such as, Diwali, Christmas, New Year etc. This matter has been the subject of comments in the press, media etc. The Commission has considered the matter and is of the view that this practice, at least, so far as Government servants are concerned, needs to be discouraged. The CCS (Conduct) Rules provide that no Government servant shall accept or permit any member of the family or any other person acting on his behalf to accept any gift except on occasions like weddings, anniversaries or religious functions. The practice of PSUs etc. sending gifts to government servants unnecessarily embarrasses them and puts them in a dilemma. The gifts are to be provided only to promote commercial/business interests and need not therefore be sent to government officials etc. who are only doing their duty. The public sector undertakings, banks etc. are, therefore, advised that they may follow this advice with immediate effect. The CVOs may bring this to the notice of the Chief Executives and all relevant executives.

2. The Commission also would like to receive a report from the CVOs on the gift policy of the Company followed by them in the current year and the actual expenditure incurred by them as festival gifts. The Commission hopes to receive the special report by 15th January, 2004 and every year thereafter.

(DPE O.M. No. 15(3)/2003-DPE(GM)/GL-48 dated 8th October, 2003)

12. Amendment in the Model Conduct, Discipline & Appeal Rules of Central Public Sector Enterprises (CPSEs) to enable imposition of penalty on Public sector Employees after their retirement.

The undersigned is directed to refer this Department's O.M of even number dated 16.12.1999 on the subject mentioned above and the circular dated 28.12.2007(copy enclosed) issued by Central Vigilance Commission (CVC) on the subject "Amendment to CDA Rules of PSEs to enable imposition of penalties on Public Sector Employees after their retirement' and to say that as already indicated in DPE's O.M dated 16.12.1999 the disciplinary proceedings instituted during service shall be deemed to be proceeding and be continued and concluded in the same manner as if the employee had continued in the service.

2. CVC has quoted the Supreme Court judgment dated 18.5.2007 in the Case of Shri Ramesh Chandra Sharma Vs Punjab National Bank where the Apex Court has upheld the punishment of dismissal on a retired employee. In the context of Supreme Court decision, the CVC has stressed for a need to incorporate suitable provisions in the CDA Rules to enable the imposition of penalty on delinquent employees on conclusion of such departmental proceedings which were initiated during their service time and have continued beyond the date of their superannuation. The CPSEs may make suitable provisions in their CDA Rules accordingly, if not made already, in the light of CVC's advice.

3. All the administrative Ministries/Departments are requested to issue instructions to the CPSEs under their jurisdiction to incorporate suitable provisions in their respective CDA Rule8 in this regard.

Subject :-Amendment to CDA Rules of PSUs to enable imposition of penalty on Public Sector Employees after their retirement — reg.

The Commission has been seriously concerned that as Public Sector Undertakings (PSUs) are non-pensionable establishments, there is no possibility of imposing any penalty on such deviant employees after their retirement, who might have committed serious lapses while in service, just before their retirement. The gratuity amount also could not be withheld unless the person had been terminated conse-

quent to disciplinary proceedings and the question of terminating an employee or imposing a penalty retrospectively, after retirement is not legally tenable. There was a situation that even disciplinary proceedings could not be continued against them beyond the retirement.

2. The Commission had earlier advised Public Sector Enterprises to make a provision in their CDA Rules to allow continuation of departmental proceedings after retirement of an employee. (There is a need to incorporate a suitable provision to enable the imposition of penalty on delinquent employees on conclusion of such departmental proceedings continued beyond the date of their superannuation.

3. It is observed that the Public Sector Banks have incorporated a provision in their CDA Rules for deemed continuation of service for this purpose. The said provision reads as under:

“The officer against whom disciplinary proceedings have been initiated will cease to be in service on the date of superannuation but the disciplinary proceedings will continue as if he was in service until the proceedings are concluded and final order is passed in respect thereof. • The concerned officer will not receive any pay and/or allowance after the date of superannuation. He will also not be entitled for the payment of retirement benefits till the proceedings are completed and final order is passed thereon except his own contribution to CPF.”

4. The Hon’ble Supreme Court of India has recently upheld the punishment of dismissal on a retired Bank employee on conclusion of departmental proceedings after his retirement, on the basis of the above provision, thus validating its legality. In its judgement dated 18.5.07 in the case of Shri Ramesh Chandra Sharma Vs Punjab National Bank, it has further noted that -

“.....it may be true that the question of imposition of dismissal of the delinquent officer from service when he has already reached the age of superannuation would not ordinarily arise. However, as the consequences of such an order is provided for in the service rule, in our opinion, it would not be correct to contend that imposition of such a punishment would be wholly impermissible in law.”

5. The Supreme Court has further held that —

“The said Regulation clearly envisages continuation of a disciplinary proceeding despite the officer ceasing to be in service on the date of superannuation. For the said purpose a legal fiction has been created providing that the delinquent officer would be deemed to be in service until the proceedings are concluded and final order is passed thereon. The said Regulation being statutory in nature should be given full effect.”

“The effect of a legal fiction is well-known. When a legal fiction is created under a statute, it must be given its full effect, as has been observed in *East End Dwellings Co. Ltd. v. Finsbury Borough Council* 1951 (2) All E.R. 587 as under....”

6. As the legality of the above provision has been upheld by the Supreme Court, all Public Sector Undertakings are advised to amend their CDA Rules in order to incorporate a similar provision. The receipt of this circular may be acknowledged and action taken to amend the CDA Rules along with a copy of the amended rules, may be sent to the Commission by 20.01.2008.

[DPE 15(7)/1999-DPE (GM)-GL-98 dated the 26th November, 2009]

(c) Vigilance Policies

1. **Position of the Chief Vigilance Officers in Public Enterprises in the organizational set-up of the undertakings.**

The undersigned is directed to forward herewith Rec. No. 7 on the above subject made at the Third Orientation Course for Chief Vigilance Officers held on 9th to 13th November, 1970, and also the advice of the Central Vigilance Commission thereon for the information and guidance of various public enterprises.

2. Ministry of Petroleum and Chemicals, etc., may bring this to the notice of the Public Enterprises under their administrative control.

ENCLOSURE

Rec. No. 7

The Chief Vigilance Officers in public undertakings should be directly responsible to the Heads of the Undertakings and all Vigilance cases, including investigation and processing, should be dealt with by the CVOs.

Advice of the Central Vigilance Commission

It would be appropriate, as recommended by the Orientation Course, that the Chief Vigilance Officer should act as a Special Assistant to the Head of the Undertaking. There may, however, be certain very large Undertakings like the State Trading Corporation or the nationalised Banks, where there may be either a General Manager/Director (Personnel) below the Chairman or the Custodian. Since the General Manager and the Director (Personnel) are very senior officers, there may be no objection to the Chief Vigilance Officer working under them rather than under the Chairman/Custodian. In such cases, however, the Chief Vigilance Officer should have access to the top executive of the undertaking. It may be added that in some Ministries/Departments of Government of India, the Chief Vigilance Officer, who is normally Deputy Secretary, submits the papers to the Secretary of Ministry through the Joint Secretary. On the same analogy, the Chief Vigilance Officer in large Public Undertakings may function under senior officers next to the top executive.

(BPE No. 2(157)/71-BPE(GM-I) dated 1st April, 1972)

2. **Difference of opinion between the CVO and the Chief Executive and between the Vigilance Officers and the Head of Office.**

I am directed to send herewith(reproduced below) a copy of the Central Vigilance Commission's letter No. 2N DSP 2 dated 23.3.1985 on the above subject for your information and necessary action.

Copy of the Central Vigilance Commission's Letter No. 2N DSP dated 23.3.1985 regarding difference of opinion between the CVO and the Chief Executive and between the vigilance officers and the Head of Office

A question has been raised about the procedure to be followed in those vigilance cases where there arises a difference of opinion between the Chief Vigilance Officer and the Chief Executive or between the Vigilance Officer and the Head of Office. In this regard it is clarified that with regard to category 'A' cases, which are required to be referred to the Commission for advice, all relevant files, including the file on which the case has been examined, are required to be sent to the Commission while seeking its advice. In such cases, the commission would therefore, be in a position to examine all facts and viewpoints of all the authorities concerned who might have commented on various aspects of the case. However, with regard to category 'B' cases which are not required to be sent to the Commission for advice, if there is a difference of opinion between the concerned vigilance officer and the Head of office, the matter may be reported by the Head of office to the concerned Chief Vigilance Officer for obtaining orders of the Chief Executive in order to resolve the difference of opinion between the vigilance officer and the Head of office.

(BPE No. 15(11)/85-BPE(GM) dated 23rd April, 1985)

3. Jurisdiction of Central Vigilance Commission over PSU Executives

The undersigned is directed to refer to the Department of Personnel and Administrative Reforms O.M. No. 118/6/81-AVD-I dated 5th March, 1982 regarding powers and functions of Central Vigilance Commission in relation to public sector undertakings. According to instructions contained in the O.M. referred to above, vigilance cases of those employees of public enterprises who were drawing pay in scales of pay whose minimum is not less than Rs. 1800/- per month need be referred to CVC for advice. The Government has recently considered these arrangements and decided that in future vigilance cases of only Board level appointees is the responsibility of Government which is the appointing authority. In respect of appointees below Board level, no reference need be made to the Chief Vigilance Commissioner. The Board of Directors being the appointing authority for such personnel will have the powers to take disciplinary action against such personnel.

2. The Ministry of Agriculture etc. may kindly see these instructions for compliance and also communicate these instructions to the public sector enterprises under their administrative control.

(DPE O.M. No. 18(13)/84-GM dated 27th October, 1986)

4. Scrutiny of Annual Property Returns of Officers/Executives of PSUs by the Vigilance Branch.

The undersigned is directed to say that the Conferences of Chief Vigilance Officers held by the CBI and the Central Vigilance Commission during 1996 and 1997 recommended, inter-alia, that the scrutiny of property returns may be undertaken by the Chief Vigilance Officers. It was also suggested that the general practice of receiving and filing property returns and their safe custody in the PSU should continue with the Personnel Department and the Vigilance Branch may scrutinize random basis and on specific information about 20% of the property returns so that the scrutiny cycle gets completed in every five years.

2. The matter has been examined carefully by the CVC and DOPT and it has been decided that in view of the emphasis on probity in public life and need for contemporaneous reporting of assets by the official concerned, the vigilance set up in the PSUs would scrutinize, on a random basis and on specific information, about 20% Annual Property Returns of the regular permanent employees of their respective organizations so that the scrutiny cycle is completed in every five years. To carry out this exercise, the management of PSU should provide staff whenever required by the CVO by making internal adjustments. However, the general practice of receiving and filing property returns and their safe custody with Personnel Department of PSUs will continue. This arrangement should be put into effect immediately.

3. All Administrative Ministries/Departments are requested to bring the above decision to the notice of public sector undertakings under their administrative control for strict compliance.

(DPE OM No. 15(6)/98(GL-008)/GM dated the 1st September, 1998)

5. Model vigilance structure for PSUs.

The Government having expressed its concern to tackle corruption and make the functioning of investigating and vigilance agencies more independent, effective, credible and prompt entrusted the Department of AR & PG to conduct a study on vigilance set up in respect of CPSUs. The study observed that the nature of functions and operations of PSUs is different, dissimilar and largely of a heterogeneous type. Nevertheless, it stated that the vigilance division in PSUs by and large deals with investigations, disciplinary proceedings, anti-corruption work, preventive vigilance and in some cases technical and audit work and all vigilance units in the PSUs should have adequate personnel to carry out all these functions. The study concluded that it would be impractical to recommend a uniform vigilance set up for all PSUs but emphasised the need for a vigilance set up in each PSU to have the desired manpower requirements of skilled and trained vigilance personnel and

recommended the following model of vigilance set up for the PSUs as a broad guideline to be adopted with such modifications as may be appropriate to their requirement:—

1.	CORPORATE OFFICE:	
	i. Chief Vigilance Officer	
	ii. Dy. CVO (For Schedule 'A' and 'B' PSUs)	
	iii. Vigilance Wings	
	a) Investigation Wing	
	- Sr. Vigilance Officer	One
	- Investigators	Two
	- Steno	Two
	b) Anti-Corruption and Vigilance Wing	
	- Sr. Vigilance Officer	One
	- Vigilance Assistant	Two
	- Steno	One
	c) Disciplinary Proceedings Wing	
	- Sr. Vigilance Officer	One
	- Vigilance Assistant	Two
	- Steno	One
	d) Preventive Vigilance Wing	
	- Sr. Vigilance Officer	One
	- Vigilance Officer	One
	- Steno	One
	e) Technical Wing (This is applicable to PSUs engaged in engineering and other technical operations).	
	- Sr. Vigilance Officer	One
	- Vigilance Officer	One
	- Expert	One
	- Steno	One
2.	Regional/Project/Plant Office: (This is applicable to Schedule 'A' and 'B' PSUs only)	
	- Sr. Vigilance Officer	One
	- Investigator	One
	- Steno	One
3.	This recommendation has been examined in this Department and it has been decided that PSUs should take immediate steps for adoption of the model vigilance structure with suitable modifications depending upon the size, function and operation of the organisation.	
4.	All the Administrative Ministries/Departments, therefore, are requested to advise the PSUs under their administrative control to take necessary action on the above lines and furnish action taken report to the DPE within a period of six months from the date of issue of this OM	

(DPE O.M. No.15(7)/98(GL-009)/GM dated 25th September, 1998)

6. Improving Vigilance Administration

I am directed to forward herewith a copy of Central Vigilance Commission's letter No.8(1)(h)/98(1) dated the 18th November, 1998 on the subject mentioned above for information and strict compliance.

ANNEXURE

Copy of CVC's O.M.No. 8(1)(h)/98(1) dated 18.11.1998 as referred to above regarding improving vigilance administration.

The Central Vigilance Commission Ordinance 1998 under Section 8(1)(h) directs that the power and function of the CVC will be the following:—

“Exercise superintendence over the vigilance administration of the various Ministries of the Central Government or corporations established by or under any Central Act, Government companies, societies and local authorities owned or controlled by that Government”.

Improving vigilance administration is possible only if system improvements are made to prevent the possibilities of corruption and also encourage a culture of honesty. In exercise of the powers conferred on the CVC by Section 8(1)(h), the following instructions are issued for compliance:

2.1 Creating a culture of honesty

Many Organizations have a reputation for corruption. The junior employees and officers who join the Organizations hopefully may not be so corruption minded as those who have already been part of the corrupt system. In order to ensure that a culture of honesty is encouraged and the junior officers do not have the excuse that because their seniors are corrupt, that they have to also adopt the corrupt practices, it is decided with immediate effect that junior employees who initiate any proposal relating to vigilance matters which is likely to result in a reference to the CVC can send a copy directly to the CVC by name. This copy will be kept in the office of the CVC and data fed into the computer. If within a reasonable time of say three to six months, the reference does not come to the CVC, the CVC then can verify with the concerned authorities in the department as to what happened to the vigilance case initiated by the junior employee. If there is an attempt to protect the corrupt or dilute the charges, this will also become visible. Above all the junior officers will not have the excuse that they have to fall in line with the corrupt seniors. Incidentally, the seniors also can not treat the references made directly to the CVC as an act of indiscipline because the junior officers will be complying with the instructions issued under Section 8(1)(h) of the CVC Ordinance 1998. However, if a junior officer makes a false or frivolous complaint it will be viewed adversely.

2.2 Greater transparency in administration

2.2.1 One major source of corruption arises because of lack of transparency. There is a scope for patronage and corruption especially in matters relating to tenders, cases where exercise of discretion relating to out of turn conferment of facilities/privileges and so on. Each organization may identify such items, which provide scope for corruption and where greater transparency would be useful. There is a necessity to maintain secrecy even in matters where discretion has to be exercised. But once the discretion has been exercised or as in matters of tenders, once the tender has been finalized, there is no need for the secrecy. A practice, therefore, must be adopted with immediate effect by all organizations within the purview of the CVC that they will publish on the notice board and in the organization's regular publication the details of all such cases regarding tenders or out of turn allotments or discretion exercised in favour of an employee/party. The very process of publication of this information will provide an automatic check for corruption induced decisions or undue favours which go against the principles of healthy vigilance administration.

2.2.2 The CVC will in course of time take up each organization and review to see whether any additions and alterations have to be made to the list of items, which the organization identified in the first instance for the monthly communications for publicity in the interests of greater transparency. This may be implemented with immediate effect.

2.3 Speedy departmental inquiries

2.3.1 One major source of corruption is that the guilty are not punished adequately and more important they are not punished promptly. This is because of the prolonged delays in the departmental inquiry procedures. One of the reasons for the departmental inquiry being delayed is that the inquiry officers have already got their regular burden of work and this inquiry is to be done in addition to their normal work. The same is true for the Presenting Officers also.

2.3.2 Each organization, therefore, may immediately review all the pending cases and the Disciplinary Authority may appoint Inquiry Officers from among retired honest employees for conducting the inquiries. The names of these officers may be got cleared by the CVC. The CVC will also separately issue an advertisement and start building a panel of names all over India who can supplement the inquiry officers work in the department. In fact, it will be a healthy practice to have all the inquiries to be done only through such retired employees because it can then be ensured that the departmental inquiries can be completed in time. If any service/departmental rules are in conflict with the above instructions they must be modified with immediate effect.

2.3.3. In order to ensure that the departmental inquiries are completed in time, the following time limits are prescribed:

- (i) In all cases which are presently pending for appointment of Inquiry Officer and Presenting Officer, such appointment should be made within one month. In all other cases, the Inquiry Officer and the Presenting Officer should be appointed, wherever necessary, immediately after the receipt of the public servant's written statement of defence denying the charges.
- (ii) The Oral inquiry, including the submission of the Inquiry Officer's report, should be completed within a period of 6 months from the date of appointment of the Inquiry Officer. In the preliminary inquiry in the beginning requiring the first appearance of the charged officers and the Presenting Officer, the Inquiry Officer should lay down a definite time-bound programme for inspection of the listed documents, submission of the lists of defence documents and defence witnesses and inspection of defence documents before the regular hearing is taken up. The regular hearing, once started, should be conducted on day-to-day basis until completed and adjournment should not be granted on frivolous grounds.

2.3.4 One of the causes for delay is repeated adjournments. Not more than two adjournments should be given in any case so that the time limit of six months for departmental inquiry can be observed.

2.3.5 The IO/PO, DA and the CVO will be accountable for the strict compliance of the above instructions in every case

2.4 Tenders

Tenders are generally a major source of corruption. In order to avoid corruption, a more transparent and effective system must be introduced. As post tender negotiations are the main source of corruption, post tender negotiations are banned with immediate effect except in the case of negotiations with L1 (i.e. Lowest Tenderer).

(DPE OM No.15/11/98-GL-012/DPE(GM) dated 22nd December, 1998)

7. Strengthening of Vigilance Machinery in Public Sector Undertakings and grant of incentives to Chief Vigilance Officers.

Kindly find enclosed a copy of Department of Personnel & Training (DOPT)'s OM No. 378/3/98-AVD.III dated the 11th April, 2000 on strengthening of Vigilance Machinery in Public Sector Undertakings and grant of incentives to Chief Vigilance Officers posted in the PSUs which are not located in Metropolitan cities.

This is for your kind information and guidance. A copy of this may kindly be provided to the CVO/ Vigilance Branch in your PSU.

(Copy of Department of Personnel & Training's O.M. No. 378/3/98-AVD.III dated 11th April, 2000)

The undersigned is directed to say that the question regarding strengthening of Vigilance set-up in the Public Sector Undertakings and grant of certain incentives to the CVOs has been under consideration of the Government for some time past.

2. The matter has since been considered and the Appointments Committee of the Cabinet has approved the grant of the following incentives to the Chief Vigilance Officers posted in PSUs which are not located in metropolitan cities:—

I. Grant of Allowances:

- (i) Grant of special allowance @ 15% of the basic pay to the Chief Vigilance Officers/Executive Directors (Vigilance) of the Public Sector Undertakings (PSUs) except those posted in PSUs located in Metropolitan Cities. Those who are granted such special allowance will not be eligible for special pay/ deputation (duty) allowance. Further, the special allowance would be given only to the deputationists posted on a regular basis and not to PSU employees of Vigilance Wing holding additional charge of the post of CVO/ED (Vigilance).
- (ii) Appropriate education allowance to be granted by those Public Sector Undertakings, which are located at places other than Metropolitan Cities if such allowances are already available to their own employees of the relevant PSU.

II. Regulation of tenure on shifting from Public Sector Undertaking to Central Staffing Scheme:

- (i) The tenure of a CVO/ED(Vigilance) posted in a PSU located at places other than Metropolitan Cities shall be treated as 50% tenure only, for the purpose of considering such officers for further posting in Government of India under Central deputation; provided the officer has served the PSU as CVO/ED (Vigilance) for atleast three years, and provided further that consideration for appointment to the post at level of Joint Secretary under Central Staffing Scheme will be subject to his empanelment for holding a post at the level of Joint Secretary.
- (ii) After an initial term of 3 years as Chief Vigilance Officer/ Executive Director (Vigilance) in a Public Sector Undertaking located at places other than Metropolitan Cities posting in Government of India under Central Deputation to be considered on priority basis subject to the condition that the total tenure including the 50% tenure of CVO/ED (Vigilance) shall not exceed 7 years. The calculation of tenure for CVOs/ ED (Vigilance) for assignments under Central Staffing Scheme is explained in the Annexure.
- (iii) The posts of CVOs/ED (Vig) in various Public Sector Undertakings are to be treated as posts not as but similar to, the non-Central Staffings Scheme posts in order to attach officers for manning such posts and, therefore, if an officer occupying a post under the Central Staffing scheme on deputation applies for being considered for appointment as CVO/ED (Vig.) and his request is duly recommended by the Ministry/Department in which he is posted, with the approval of the Minister-in-Charge, at least one year before the expiry of his tenure on the Central Staffing Scheme Post, the officer, if selected, for appointment may be allowed a tenure of 3 years as CVO subject to a maximum of 7 years combined tenure on the Central staffing Scheme post and the post of CVO.

III. Regulation of tenure on shifting from Central Staffing Scheme to Public Sector Undertaking:

- (i) A posting as Chief Vigilance Officer/Executive Director (Vigilance) in a Public Sector

Undertaking could be allowed, located at places other than Metropolitan Cities in continuation of a posting with the Government of India, subject to the condition that the total period including the earlier tenure, shall not exceed 7 years. Thus, if an officer has served on a post under the Central Staffing Scheme for 4 years and then proceeds on deputation to a post of CVO in a PSU located at places other than Metropolitan Cities, he will have a tenure of 3 years on the post of CVO subject to an overall ceiling of seven years of combined tenure on the Central Staffing Scheme post and the post of CVO.

IV. Cooling off period:

Reduction in the “Cooling off” period from 3 years to 2 years for those officers who had worked as Chief Vigilance Officer/Executive Director (Vigilance) in a Public Sector Undertaking located at places other than Metropolitan Cities immediately before the “Cooling off” period or an officer on his posting as such immediately after the “Cooling off” period. These orders take effect from the date of issue.

ANNEXURE

For counting the tenure of CVO as half, towards Central tenure, an officer should have served as CVO for at least three years.

On the basis of above, the calculation of tenure for shifting from Public sector Undertaking to Central Staffing Scheme would be as follows:—

- (1) CVO for 3 years 1-1/2 years towards Central tenure. If he shifts to a Central Staffing Scheme (CSS) Post, he will get a full tenure of 4 years as DS and 5 years as Director/JS as both would not exceed the normal tenure and would be less than the combined tenure of 7 years.
- (2) CVO for 5 years in the same PSU 2-1/2 years towards Central tenure. On a shift to a CSS post, he will get a tenure of 4-1/2 years as Director/JS as both would not exceed the normal tenure or the combined maximum tenure of 7 years. Tenure as Deputy Secretary will, however, be 4 years only.
- (3) CVO for 6 years in 2 PSUs for 3 years each 3 years towards Central deputation tenure. On a shift to a Central Staffing Scheme post he can get 4 years as Deputy Secretary and 4 years as Director/JS as both would not exceed the normal tenure or the continued maximum tenure of 7 years.

(D.O. No.15(3)/2000/GL-024/DPE(GM) dated 22nd May 2000)

8. Purchase of shares by CVOs and other officials in vigilance set up of Central Public Sector Enterprises (CPSEs) under preferential quota meant for employees in Public issues

The undersigned is directed to invite attention to the subject mentioned above and to state that it has come to the notice of Central Vigilance Commission (CA/C) where the Chief Vigilance Officer (CVO) of a CPSE was allotted shares in the IPO out of quota reserved for employees of the CPSE. CVC felt that such extraordinary benefits compromise the independence and objectivity of CVOs in overseeing vigilance administration in the CPSEs. CVO has, therefore, indicated that outsider full-time CVOs in the CPSEs should not be considered for allotment of shares in IPOs under the preferential quota meant for employees in IPOs of CPSEs.

2. The matter has been considered by the Government and it has been decided to restrict the CVO who is not an employee of that CPSE from applying for allotment of shares under employees quota in Public Issues of CPSEs.

3. This Department had earlier issued consolidated guidelines vide O.M. 15(7)/2003-DPE(GM) dated 15th December 2003 on 'Strengthening Vigilance Machinery in Public Sector Enterprises'. In view of the above mentioned observation of CVC, a new Clause (xii) would be deemed to have been incorporated therein, which would read as under:

- (xii) "(CVOs and other officials in vigilance set up of CPSEs, who are not employees in the concerned CPSEs shall not be eligible for allotment of shares in Public issue under the quota meant for employees

of CPSEs Such extraordinary benefits compromise on independence and objectivity of CVOs in overseeing the vigilance administration in CPSEs

2. All the administrative Ministries/Departments are requested to suitably instruct the CPSI-i-s under their administrative control in this regard.

[OM No. 15(7)2002-DPE(GM)-GL-96 dated 11 th August ,2009]

9. Complaints against Chief Executives of the Public Sector Enterprises and CMDs of the Public Sector Banks and Financial Institutions.

The procedure regarding handling complaints against Chief Executives and Functional Directors of the Public Banks and Financial Institutions, whether pseudonymous or otherwise, has been attracting the attention of the Government. It has been observed that under the system presently prevalent, complaints against Chief Executives and Financial Directors of the Public Sector Enterprises and CMDs and Functional Directors of Public Sector Banks and Financial Institutions are sent to the administrative Ministries concerned for examination and necessary action. Sometimes frivolous or vague complaints are also given importance meant for grave complaints. It is, therefore, appropriate that complaints against Chief Executives and Functional Directors of the Public Sector Enterprises and CMDs and Functional Directors of Public Sector Banks and Financial Institutions are scrutinized carefully and suitable action taken based on their gravity, seriousness and the nature of the allegations.

2. It has, therefore, been decided to constitute a Group, under the Chairmanship of the Secretary (Coordination) in the Cabinet Secretariat, to take a view on such complaints. The composition of the Group shall be as follows:-

- | | |
|--|------------|
| (i) Secretary (Coordination) in the Cabinet Secretariat | : Chairman |
| (ii) Secretary, Department of Public Enterprises (DPE) | : Member |
| (iii) Secretary, Central Vigilance Commission (CVC) | : Member |
| (iv) Addl. Secretary, Department of Financial Services (DFS) | : Member |

3. Complaint, against Chief Executives and Functional Directors of the Public Sector Enterprises and CMDs and Functional Directors of Public Sector Banks and Financial Institutions, whether pseudonymous or otherwise, received by the Cabinet Secretariat or the CVC or the DPE or the DFS or the Prime Minister's Office, will be first scrutinized by the Group headed by the Secretary (Coordination) in the Cabinet Secretariat. This Group, after receiving the complaints, would proceed as follows:-

- (a) If there is no substance in the complaint or the complaint is frivolous in nature, the Group would close the complaint and inform the relevant office from where the complaint was received.
- (b) In case the preliminary scrutiny of the complaint indicates that there is some substance in it or there are verifiable allegations, the Group could do one or more of the following:-
 - * Seek the comments of the Secretary of the concerned Ministry/Department
 - * Call for the concerned file(s);
 - * Call for the relevant records including annual property returns, other reports, etc.

4. Having received appropriate inputs on the complaints, the Group will then proceed in the following manner:-

- * In case the records/comments indicate that there is no substance in the complaint, it will be closed.
- * If after scrutiny, it is felt that there is some substance in the complaint, a view would have to be taken by the Group regarding the nature of the investigation called for and an appropriate recommendation made in this regard.
- * Thereafter, the recommendation would be submitted to the Disciplinary Authority, for action as deemed fit.

5. Since the Group constituted will also be looking into the complaints received by the CVC under the CVC Act or the Public Interest Disclosure Resolution, the CVC shall be kept informed at regular intervals about the status of the scrutiny/review undertaken by the Group into complaints forwarded by the CVC.

[DPE O.M. No. 15(1)/2010-DPE-(GM) dated 11-03-2010]

10. Complaints against Chief Executives of the Public Sector enterprises and CMDs of the Public sector Banks and Financial Institutions.

The undersigned is directed to refer this Department's O.M. of even number dated the 11th March, 2010 on the subject mentioned above and to say that the following amendments have been made in Para 3 & 5 of the said O.M.:

In Para 3, first sentence:

For : "Complaints against Chief Executives and Functional Directors of the Public Sector Enterprises and CMDs and Functional Directors of Public Sector Banks and Financial Institutions, whether pseudonymous or otherwise, received by the Cabinet Secretariat or the CVC or the DPE or the Prime Minister's Office, will be first scrutinized by the Group headed by the Secretary (Coordination) in the Cabinet Secretariat".

Read : "Complaints against Chief Executives and Functional Directors of the Public Sector or Enterprises and CMDs and Functional Directors of Public Sector Banks and Financial Institutions, whether pseudonymous or otherwise, received by the Cabinet Secretariat or the DPE or the Prime Minister's Office, will be first scrutinized by the Group headed by the Secretary (Coordination) in the Cabinet Secretariat."

In Para 5:

For : "Since the Group constituted will also be looking into the complaints received by the CVC under the CVC Act of the Public Interest Disclosure Resolution, the CVC shall be kept informed at regular intervals about the status of the scrutiny/review undertaken by the Group into complaints forwarded by the CVC".

Read : "The Group constituted will also be looking into the complaints received by the Cabinet Secretary from CVC under the CVC Act or the Public Interest Disclosure Resolution. The CVC shall be kept informed at regular intervals about the status of the scrutiny/review undertaken by the Group into complaints forwarded by the CVC".

[DPE O.M. No. 15(1)/2010-DPE-(GM) dated 12-04-2010]

11. Complaints against Chief Executives of the Public Sector enterprises and CMDs of the Public sector Banks and Financial Institutions.

The undersigned is directed to refer this Department's O.M. of even number dated the 11th March, 2010 and 12th April, 2010 on the subject mentioned above and to say that in pursuance of Cabinet Secretariat's ID No. 501/10/1/2010-C.A.V dated 4-5-2011, Secretary, Department of Financial Services is associated as Member of the Group of Officers in place of Additional Secretary, Department of Financial Services for handling complaints against Chief Executive of the Public Sector Enterprises and CMDs of the Public Sector Banks and Financial Institutions.

2. The new composition of the Group under the Chairmanship of Secretary (Coord.) in the Cabinet Secretariat shall be as follows:

- | | | |
|---|---|----------|
| (i) Secretary (Coordination) in the Cabinet Secretariat | : | Chairman |
| (ii) Secretary, Department of Public Enterprises | : | Member |
| (iii) Secretary, Department of Financial Services | : | Member |
| (iv) Secretary, Central Vigilance Commission (CVC) | : | Member |

[DPE O.M. No. 15(1)/2010-DPE-(GM) dated 11-05-2011]

(d) Restriction on post retirement employment

1 **Restrictions on top level executives of Central Public Sector Enterprises (CPSEs) joining private commercial undertakings after retirement.**

- | | | |
|--|---|---|
| 1. DPE O.M. NO. 2(22)/99-GM-GL 022 dated 25.1.2000 | } | The undersigned is directed to refer to the marginally noted O.M.s on the subject mentioned above and to state that these instructions have been reviewed in consultation with CVC on the basis of the recommendations of the Committee which was set up to review DPE guidelines in the present day economic scenario. |
| 2. DPE O.M. No. 2(22)/99-GM-GL-31 dated 10.5.2001 | | |
| 3. DPE O.M. No. 2(22)/99-GM-GL-32 dated 10.5.2001 | | |
| 4. DPE O.M. No. 2(22)/99-GM-GL- | | |

2. In supersession of these guidelines, it has been decided to incorporate the following proviso in the CDA Rules/Services Rules of the public enterprises and also in the terms and conditions of appointment of fully time Directors, including Chief Executives.

"No functional Director of the company including the Chief Executive who has retired/resigned from the service of the company, after such retirement/resignation, shall accept any appointment or post, whether advisory or administration, in any firm or company, whether Indian or foreign, with which the company has or had business relations, within one year from the date of retirement without prior approval of the Government. The term retirement includes resignation; but not the cases of those whose term of appointment was not extended by Government for reasons other than proven misconduct. The term 'business relations' includes 'official dealings' as well."

3. Functional Directors including Chief Executives who after superannuation or resignation accept employment in private commercial firms without prior sanction of the Government, will henceforth be debarred from being appointed as full time/part time Directors of the CPSEs. Further, in order to secure compliance of the restrictions, the CPSEs shall secure a bond from the concerned person at the time of his/her employment retirement/resignation as Director in CPSEs for an appropriate sum of money payable by him/her as damages for any violation of the restrictions.

4. The administrative Ministry/Department shall examine the requests received from the Functional Directors including Chief Executives on case to case basis depending upon the merit of the case after obtaining 'no objection, from the concerned CPSE and grant permission for post retirement employment with the approval of their Minister-in-charge.

5. The administrative Ministry/Department may grant permission keeping in view the following aspects:-

- (a) The official concerned has had no official dealings with the prospective employers in the preceding five years.
- (b) Whether the ex-functional Directors or ex-chief executives has been privy to sensitive or strategic information in the last years of his service which is directly related to the areas of interest or work of the organization which he proposes to join or the areas in which he proposes to practice/consult.
- (c) Whether there is conflict of interest between the policies of the office (s) he has held in the last 5 years and the interest represented or work undertaken by the organization he proposes to

join. Such conflict of interest, however, should not be interpreted narrowly to mean normal economic competition with Government or its Enterprises.

- (d) Whether the service record of the ex-functional Director or ex-chief executive is clear, particularly with respect to integrity and dealings with Government as well as with CPSEs/ non-Government organizations.
- (e) Applicant's commercial duties will not involve liaison or contact with the Government Departments/PSEs,
- (f) The employer of the applicant should not get an unfair advantage due to previous official positions/experience/knowledge of the incumbent and
- (g) The present emoluments and pecuniary benefits should not be far in excess of those currently prevalent in the industry. The words "far in excess" should not be narrowly interpreted to cover increases in such benefits that may be result of buoyancy in the industry or in the economy as a whole.

6. With a view to ensuring that all the relevant particulars are available for considering the application for permission to take post retirement employment, a model form of application is enclosed.

7. The administrative Ministry/Department shall take a final decision on the application for granting permission to accept any appointment/post after retirement and communicate the same to the applicant within a time limit of 30 days from the date of receipt of the application complete in all respects. In case no decision is communicated within 30 days, the applicant may taken up the assignment presuming that the permission has been granted.

8. Wherever permission is to be refused on such requests, an opportunity may be given to the applicant to present his case and final decision in this regard shall be communicated after consultation with DPE.

9. All administrative Ministries/Departments are requested for strict compliance and to bring the contents of these guidelines to the notice of the CPSE(s) under their administrative control.

Form of application for permission to PSE executives to accept commercial employment within a period of one year after retirement.		
1.	Name of the Executive : (in BLOCK letters)	
2.	Date of retirement :	
3.	Particulars of the Ministry/Department/Office/ PSE in which the executive served during the last 5 years preceding retirement (with duration):	
	Name of Ministry/ Department/Office/PSE	Post held From To Duration
4.	Post held at the time of retirement and period for which held	
5.	Pay scale of the post and pay drawn by the Executive at the time of retirement	

6.	Pensionary benefits:	
	Pension expected/sanctioned, if any (communication if any, should be mentioned)	Gratuity, if any
7.	Details regarding commercial employment proposed to be taken up— (a) Name of the firm/company/co-operative society, etc. (b) Products being manufactured by the firm/type of business carried out by the firm, etc. (c) Whether the executive during last 5 years prior to his retirement/resignation had any official dealings with the firm. (d) Duration and nature of the official dealings with the firm (e) Whether the PSE in which the executive was working had any dealings with the firm, etc. if so, give details (f) Name of the job/post offered (g) Whether post was advertised, if not, how was offer made (attach newspaper cutting of the advertisement, and a copy of the offer of appointment, if any) (h) Description of the duties of the job/post (i) Remuneration offered for post/job	
8.	Any information which was applicant desires to furnish in support of his request	
9.	Declaration:— I hereby declare that— (i) I had no official dealings with the prospective employer in the preceding 5 years. The proposed employment will not involve conflict of interest with the policies of the office held by me during the last 5 years and the interest represented or work undertaken by the organization; (ii) the employment which I propose to take up will not bring me into conflict with Government/PSE; (iii) my commercial duties will not be such that my previous official position or knowledge or experience under Government/PSE could be used to give my proposed employer an unfair advantage; (iv) my commercial duties will not involve liaison or contact with the Government departments/PSEs. (v) I have not been privy to sensitive or strategic information in the last 5 years of service which is directly related to the areas of interest of work of the firm that I propose to join or to the areas in which I propose to practice or consult.	

[DPE OM No. 2(22)/99-GM-GL-91 Dated 15th May, 2008]

2. Restrictions on top level executives of Central Public Sector Enterprises (CPSEs) joining private commercial undertakings after retirement.

The undersigned is directed to refer this Department's O.M. No.2(22)/99-GM-GL-91 dated 15th May, 2008 on the subject mentioned above.

2. References from administrative Ministries/Departments seeking clarifications regarding the applicability of O.M. dated 15.5.2008 to the officers appointed/retired before 15.5.2008 have been received in this Department. The matter has been examined and it has been decided that the reduction in the restriction period as provided in DPE O.M. dated 15.5.2008 may be made available to the following cases also:-

- (i) Board level executives who were appointed before 15.5.2008 and who had retired/would retire after 15.5.2008, even though their terms of appointment were finalized based on DPE's earlier O.M. dated 25.1.2000.
- (ii) Board level executives who were appointed and retired before 15.5.2008 and whose cases for post retirement commercial employment have not been decided so far on the basis of DPE's earlier O.M. dated 25.1.2000.

3. All administrative Ministries/Departments are requested to take further necessary action in this regard and also to bring the contents of this O.M. to the notice of the CPSE(s) under their administrative control.

[DPE OM No. 2(22)/99-GM Dated, The 3rd June, 2009]

3 Restrictions on top level executives of ntral Public Sector Enterprises (CPSEs) joining private commercial undertakings after retirement.

The undersigned is directed to refer to this Department's O.M. of even number dated 15th May, 2008 on the subject mentioned above.

2. Para 3 of the afore-mentioned O.M. dated 15th May, 2008, *inter alia*, provided that "*Further, in order to secure compliance of the restrictions, the CPSEs shall secure a bond from the concerned person at the time of his/her employment/retirement/resignation as Director in CPSEs for an appropriate sum of money payable by him/her as damages for any violation of the restrictions*".

3. The above matter has been considered in consultation with Central Vigilance Commission (CVC) and it has been decided to prescribe the model bond which would be executed by full-time functional Directors/MDs/CMDs of all CPSEs before release of terminal benefits. A copy of the model bond, duly vetted by the Ministry of Law & Justice and approved by the CVC, is enclosed.

4. All administrative Ministries/Departments are requested to take immediate action to get the above model bond executed by all full-time functional Directors/MDs/CMDs of all CPSEs under their respective administrative control.

BOND CUM UNDERTAKING

(To be executed on a non judicial stamp paper of the appropriate value)

To be obtained from the concerned Functional Directors(s)/CMD alongwith NON DUES
CERTIFICATE prior to release of terminal benefits

KNOW ALL MEN BY THESE PRESENTS THAT WE.....s/d/o.....resident of.....presently working as.....in (Name of CPSE) (hereinafter called "the Obligor") and (i) Shri.....s/d/o.....r/o.....(ii) Shri.....s/d/o.....r/o.....(hereinafter called "the Sureties") do hereby jointly and severally bind ourselves and respective heirs, executors and administrators to pay to the.....(Name of the CPSE) on demand the sum of Rs.....(Rupees.....) equivalent to the basic pay drawn by the Obligor during the last six months of his/her tenure in (Name of CPSE) or Rs. 10 (Ten) lakhs, whichever is more, together with interest thereon from the date of demand at Government rates, for the time being in force, on Government loans or,

if payment is made in a country other than India, the equivalent of the said amount in the currency of that country converted at the then prevailing official rate of exchange between that country and India AND TOGETHER with all costs between attorney and client and all charges and expenses that shall or may have been incurred by the Company.

1. AND WHEREAS the Obligor has been appointed to the position of Director/CMD in (Name of the CPSE) (hereinafter called 'the Company'), in terms of Offer of Appointment ref. No.....Dated..... The aforesaid terms of the offer were accepted by him/her and the Obligor assumed office on.....
2. AND WHEREAS in terms of the aforesaid Offer of Appointment it is required that in the event of Obligor's retirement/resignation from the Company, the Obligor will not accept any appointment or post, whether advisory or administrative, in any firm or Company whether Indian or Foreign, with which the Company has or had business relations, within one year from the date of Obligor's retirement/resignation, without prior approval of the Government.
3. AND WHEREAS it was also required, in terms of the aforesaid Offer of Appointment, that terminal benefits due to Obligor, in the event of his/her retirement/resignation from the services of Company, would not be released unless a bond regarding aforesaid restriction on the post retirement is executed by him/her.
4. AND WHEREAS for the better protection of the Company, the Obligor has agreed to execute this bond with such condition as herein under contained.
5. AND WHEREAS the said Sureties have agreed to execute this bond as sureties on behalf of the above Obligor.
6. NOW THE CONDITIONS OF THE ABOVE WRITTEN OBLIGATION IS THAT in the event of Obligor's failure to abide by the restriction pertaining to acceptance of employment or post, whether advisory or administrative, in any firm or Company whether Indian or Foreign, with which the Company has or had business relations, within one year from the date of Obligor's retirement/resignation, without prior approval of the Government, Obligor shall become liable for payment of the sum equivalent to the bond amount to (Name of CPSE). In the event of the aforesaid failure and upon the Obligor failing to pay the sum equivalent to the bond amount to (Name of CPSE), the Company will be at liberty to initiate appropriate civil action for recovery of the aforesaid bond amount from the Obligor. This will be without prejudice to the rights of the Company to initiate any other action as deemed fit in the circumstances of the case.

AND upon the Obligor Shri.....and, or Shri..... and, or Shri.....and Shri....., the Sureties aforesaid making such payment, the above written obligation shall be void and of no effect otherwise it shall be and remain in full force and virtue.

PROVIDED ALWAYS that the liability of the Sureties hereunder shall not be impaired or discharged by reason of time being granted or by any forbearance act or omission of the Company or any person authorised by it (whether with or without the consent or knowledge of the Sureties) nor shall it be necessary for the Company to sue the Obligor before suing the Sureties Shri..... and Shri..... or any of them for amounts due hereunder.

THE bond shall in all respects be governed by the laws of India for the time being in force and the rights and liabilities hereunder shall where necessary be accordingly determined by the appropriate Courts in India.

In witness whereof, these present have been signed by a duly authorised officer on behalf of the Company and by the other person(s) party thereto.

Signed and delivered by the above Obligor along with his Sureties on this Day of Month 20

Signature of Obligor

1. Sign of Surety :
Name :
Designation :
Officer to which attached :

In the presence of.....
For and on behalf of the Company

2. Sign of Surety:
Name :
Designation:
Office to which attached :

This bond should be executed accordingly and accepting by the accepting authority*

Signature of the Accepting Authority

*The accepting authority for Directors/MD and CMD of CPSEs would be as under

Directors	CMD/MD of the concerned CPSE
MD	Chairman of the concerned CPSE
CMD	Secretary of the concerned administrative Ministry/Department

[DPE OM No. 2(22)/99-GM Dated 08th August 2012]

4. Restrictions on top level executives of Central Public Sector Enterprises (CPSEs) joining private commercial undertakings after retirement.

The undersigned is directed to refer to this Department's O.M. of even number dated 15th May, 2008 (copy enclosed) on the subject mentioned above.

2. The Government has reviewed the position regarding time limit of 30 days for concerned administrative Ministry/Department to communicate the decision on the application(s) seeking permission to accept any appointment/post after retirement in view of the fact that in many cases, a functional Director/CMD would have worked in more than one CPSE during the last five years preceding the retirement and therefore the concerned administrative Ministry/Department would require more than 30 days to consider all aspects/factors as brought out in O.M. dated 15th May, 2008 before arriving at a final decision on such applications. It has accordingly been decided to revise Para 7 of the DPE O.M. dated 15th May, 2008 laying down time limits to read as follows.

"The administrative Ministry/Department shall normally take a final decision on the application for granting permission to accept any appointment/post after retirement and communicate the same to the applicant within a period of 30 days from the date of receipt of the application complete in all respects.

In case no decision is communicated within 60 days, the applicant may take up the assignment presuming that the permission has been granted".

3. All the administrative Ministries/Department are requested to take note of the above guidelines while processing application of top level executive of CPSEs for post retirement employment and also bring the contents of these guidelines to the notice of the CPSE(s) under their respective administrative control.

[DPE OM No. 2(22)/99-GM Dated, The 7th January, 2013]

(e) Creation of Board level posts in CPSEs

1. Abolition of Top Posts

Some of the administrative Ministries/Public Sector Undertakings have stated their intention to keep in abeyance the filling up of certain posts covered by Government of India Resolution No. 5(1)/74 BPE(PESB) dated 30.8.74. However, during the period the posts are kept unfilled, they tend to be regarded as vacancies. As the Ministries are aware, the Public Enterprises Selection Board is charged with the responsibility of helping the Government in filling up the vacancies in a planned manner. Keeping the posts vacant is not considered to be healthy situation.

2. This matter was considered by the Public Enterprises Selection Board in its meeting held on 10.4.75 when it took the following decision:

"The Board took the view that if there was no intention to fill a post, it should be abolished. Unless it is abolished, the Board will have to treat the post as vacant and take action to fill it up. If, at a later date, it becomes necessary to operate the post, it could be re-created. It was desired that the Ministries concerned should be advised accordingly."

3. The Ministry of Shipping and Transport etc. are requested to take note of the above views of the Public Enterprises Selection Board and take action accordingly, if any of the sanctioned top posts is not to be filled up.

(No. 5(30)/75-BPE (PESB) dated 27th May, 1975)

2. Criteria/parameters for upgradation (re-categorization) of Public Sector Enterprises and creation/upgradation of Board level posts.

The undersigned is directed to refer to this Department's O.M. No. 9(10)/94-GM(DPE) dated 11.4.1994 wherein guidelines on the subject mentioned above were issued. In view of the liberalization of economy and consequential changes in the functioning of PSUs, the existing criteria/parameters have been reviewed. Based on the review, it has been decided that the parameters mentioned below shall be adopted for processing such cases henceforth.

- (i) Upgradation of the schedule of a PSU. The parameters to be adopted for this purpose are quantitative factors like investment (paid capital + long term loans), capital employed (net block + working capital), net sales, profit before tax, number of employees and number of units, qualitative factors like national importance, complexities of problems, level of technology, prospects for expansion and diversification of activities and competition from other sectors and other factors like image of the PSU (in terms of its share price, MOU ratings, classification as Navratna/Miniratna, ISO 9000/IS 14000 certification), productivity of the PSU (in terms of capacity utilization) and value added per employee.

- (ii) Upgradation of posts on personal basis: Upgradation of posts on personal basis for grant of higher schedule of pay to the individual concerned is to be allowed in rare and exceptional cases only. The overall performance of the PSU during the tenure of the executive concerned, development of technology through R&D, diversification of activities, and stagnation at the maximum of the existing scale for a long period would be the criteria to be used for this purpose. The overall performance will be assessed with reference to the parameters, which are used for upgradation of the schedule of a PSU.
- (iii) Creation of additional posts. The number of full time directors on the Board of a PSU should not exceed 50% of the actual strength of the Board, as laid down in the DPE O.M. No. 18(6)/91-GM dated 16.3.92. If there is a need for creating additional posts(s) of full time functional Directors, within this limit, justifications for the same are to be spelt out in clear terms along with the reasons as to why the function, for which the Board level post is needed, cannot be performed by a below Board level executive.

2. The following particulars/information/documents are necessary for processing the cases referred to above.

- (a) Full justification for the proposal supported by financial, physical and qualitative performance figures for the last 5 years as per parameters given at paragraph 1 above. The performance trend during the year of consideration of the proposal also needs to be stated.
- (b) Corporate Plan of the company concerned.
- (c) Organizational structure/charts (existing as well as proposed) indicating all posts up to the 4th level in the organization and their pay scales.
- (d) Comparative analysis vis-à-vis other companies in the cognate group and with those under the administrative control of the Ministry/Department concerned.
- (e) Financial implication of the proposal. If the proposal is for creation of additional posts of Directors it may clearly be mentioned whether the post is to be created in lieu of some other existing post at below Board level.
- (f) Job description of posts, if the proposal involves creation of posts.
- (g) Up-to-date ACR dossier of the executive concerned in respect of proposals for personal upgradation

3. All the administrative Ministries/ Departments are requested to take note of the above guidelines while processing proposals in this regard. Before the proposals are referred to DPE for further processing in consultation with the PESB and obtaining the approval of the competent authority, the concurrence of the Financial Advisor of the Ministry and the approval of the Minister-in-charge may be obtained.

(DPE O.M. No. 9(15)/99-GM-GL-29 dated 9th October, 2000)

3. Operation/revival of Board level posts in CPSEs after deemed abolition.

The undersigned is directed to refer to the erstwhile Bureau of Public Enterprises O.M. No. 5(30)/75-BPE (PESB) dated 27th May, 1975, wherein it was inter-alia stated that if a post is held in abeyance or remains unfilled for a period of one year or more, it would be deemed to be abolished and if the post is required subsequently, the prescribed procedure for creation of new post will have to be followed. It has, however, been

observed that these instructions are not being followed strictly and Board level posts are being kept vacant for long durations instead of treating them as abolished.

2. Government has, therefore, considered this matter and decided as under:-

- (i) Board level posts which are vacant for one year or more and where PESB selection process is not currently underway shall be deemed to have been abolished.
- (ii) If the post is required subsequently, the prescribed procedure for creation of new post will have to be followed. Proposals in this regard should be referred to the Department of Public Enterprises (DPE) for approval of the competent authority as per DPE O.M. No.9(15)/99-GM-GL-29 dated 9.10.2000.
- (iii) However, as some posts were kept in abeyance because of initiation of disinvestment process, a one-time relaxation of period of abeyance for a maximum of 4 years or upto 31.3.2006, whichever is earlier, is permissible for PSEs which were slated for disinvestment.

3. All the administrative Ministries/Departments are requested to take necessary action to implement the above decisions and also to follow them strictly in future. Also a list of posts which stand abolished due to the above decision may be sent to DPE, PESB and DOPT immediately.

(DPEOM No. 18(13)/2005-GM-GL-74 dated, the 21st October, 2005)

(f) Categorization of CPSEs

1. Policy regarding date of upgradation of pay scales of Board level executives of PSUs consequent upon the upgradation of the PSU.

The Public Sector Undertakings are categorized into four schedules, namely, A, B, C and D. The schedule of a PSE is sometimes upgraded on the basis of criteria laid down for this purpose. The question as to the date from which the upgradation of the pay scales of the incumbent Board level functionary should take effect as a consequence of the upgradation of the schedule of the PSU concerned has been under consideration of the Government for some time.

2. As per the extant instructions on the subject, the approval of the Appointments Committee of the Cabinet is required for making appointments to the posts of Chairman and other Members of the Board of Management (including the Managing Director and Financial Adviser, if the Financial Adviser is a Member of the Board of Management) of Schedule 'A' and 'B' State owned public corporations, companies or enterprises, except where such appointment is made on ex-officio basis by the Government. The powers for making appointments to the Board level posts in Schedule 'C' and 'D' PSUs have been delegated to the administrative Ministries/Departments provided such appointments are strictly in accordance with the recommendations of the Public Enterprises Selection Board.

3. All decisions of the Appointments Committee of the Cabinet have prospective effect unless otherwise specified therein. Therefore, it has been decided that the date of order of ACC in respect of upgradation of an officer should be the relevant date for allowing the higher scale of pay to him. In the cases of Schedule 'C' and 'D' PSUs, the date of approval of the PESB recommendations by the competent authority in the administrative Ministry/Department concerned would be the relevant date for allowing the higher scale of pay.

(DPE O.M. No. 9(10)/92-GM-GL-51 dated 18th December, 2003)

2 Criteria/parameters for categorization of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to refer to this Department's O.M. No. 9(15)/99-GM-GL-28 dated the 9th October, 2000 and O.M. No. 9(15)/99-GM-GL-29 dated 9th October, 2000 laying down the broad guidelines to be followed for categorization (refers to initial categorization as well as re-categorization) of Central Public Sector Enterprises (CPSEs) into appropriate schedules.

2. All CPSEs are required to be categorized into 4 schedules, namely, Schedule 'A', Schedule 'B', Schedule 'C' and Schedule 'D'. The categorization of CPSE has implications, mainly for organizational structure and salary of Board level incumbents of the concerned CPSE.

3. The procedure and parameters being used for the purpose of categorization of CPSEs have been re-examined by the Department of Public Enterprises (DPE) and it has been decided that to continue with the present system of categorization with minor modifications. The procedure and parameters to be used for the purpose of categorization are prescribed as under.

- (i) The proposals for categorization of CPSEs would continue to be initiated by the concerned administrative Ministry/Department and submitted to DPE, which would examine such proposals in consultation with the Public Enterprises Selection Board. The proposals for categorization of CPSEs should be furnished to DPE with the concurrence of the financial Advisor and the approval of the Minister-in-charge of the concerned administrative Ministry/Department.
- (ii) The proposal should contain performance of the concerned CPSE for last five years on the following quantitative parameters (definitions as per Public Enterprises Survey).
 - Investment
 - Capital employed
 - Net sales
 - Profit before Tax
 - Number of employees and units
 - Capacity Addition
 - Revenue per employee
 - Sales/Capital Employed
 - Capacity utilization
 - Value added per employee
- (iii) The proposals for categorization should also contain details on the following qualitative factors related to the concerned CPSE.
 - National importance
 - Complexities of problems being faced by the company
 - Level of technology
 - Prospects for expansion and diversification of activities
 - Competition from other sectors.
- (iv) The information on the following factors, wherever, available, should also be included in the proposals for categorization.

- Share price
 - MOU ratings
 - Maharatna/Navratna/Miniratna status
 - ISO certification
- (v) In addition to above factors, the critical/strategic importance of the concerned CPSE will continue to be taken into account.
- (vi) In case of initial categorization, if the figures of past performance on above quantitative factors are not available, figures projected in the Cabinet Note relating to the setting up of the CPSE may be furnished.
4. The concerned administrative Ministry/Department should furnish self-contained comprehensive proposals for categorization of CPSEs containing the following particulars/information/documents.
- (i) Full justification for proposing categorization of the CPSE in a particular Schedule supported by financial, physical and qualitative performance figures for the last five years in respect of parameters as mentioned at para 3(ii), (iii) and (iv) above.
 - (ii) Copy of the Cabinet Note for setting up of CPSE along with an extract of the decision of the Cabinet and copy of Memorandum and Articles of Association of the CPSE (applicable in case of initial categorization).
 - (iii) Existing organization structure indicating all posts up to the 4th level in the CPSE and their pay scales.
 - (iv) Comparison with other CPSEs in the same cognate group and with those under the administrative control of the Ministry/Department concerned, with reference to the quantitative parameters mentioned in para 3 (ii) above. The CPSEs incorporated under Section 25 of the Companies Act would also be compared with similar CPSEs for the purpose of categorization.
 - (v) Corporate Plan of the concerned CPSE.
 - (vi) Financial implication of the proposal.
5. There will be no change in the extant guidelines as prescribed *vide* DPE O.M. No. 9(15)/99-GM-GL-29 dated 9th October, 2000 in respect of proposals for Upgradation of Board level posts on personal basis and Creation of additional Board level posts.
6. All the administrative Ministries/Departments are requested to take note of the above guidelines while processing proposals for categorization of CPSEs for submission to DPE.

[DPE OM No.9(17)/2011-GM Dated, the 30th November,2011]

3. Personal pay upgradation of Board level incumbents of Central Public Sector Enterprises (CPSEs) consequent to upgradation of Schedule of CPSEs

The undersigned is directed to state that the proposals for upgradation of Schedule of CPSEs are considered by this Department in consultation with Public Enterprises Selection Board (PESB). After upgradation of Schedule of a CPSE, the suitability of the existing Board level incumbents of the concerned CPSE in the higher scale of pay is again assessed by the PESB and after the recommendations of PESB and approval of competent authority, the higher scale of pay is allowed in terms of provisions of DPE OM of even no. dated 18th December, 2003 (copy enclosed).

2. This matter has been further considered and it has been decided that the proposal for personal pay upgradation of Board level incumbents of upgraded CPSEs should be forwarded by the concerned administrative Ministries/ Departments to PESB within three months of the issuance of order of upgradation of the schedule of the CPSE.
3. All administrative Ministries/Departments are requested to strictly comply with the above directions.
4. This has the approval of Minister of Heavy Industries & Public Enterprises.

(DPE OM No. 9(10)/99-GM Dated 25 Th April 2014)

(g) Categorization of CPSEs

1. Composition of Boards of Directors of Public Enterprises

The question as to how the structure of the Boards of Directors of Public Enterprises can be rationalized, consistent with efficient functioning of these enterprises has been under consideration of Government for some time. It has now been decided that the following principles should be followed by the administrative Ministries in this regard:

- i. For large multi-unit enterprises and large trading organizations, the typical structure of a Board could be a full-time Chairman-cum-Managing Director assisted by at least two functional Directors, one of whom would be in-charge of Finance, and part-time Directors.

As regards the inclusion of General Managers of constituent units and executive in-charge of different regions in the Boards of multi-unit or multi-regional enterprises, inclusion of a few General Managers and Directors by rotation could be considered. Even if all the General Managers are not made directors, those left out should also, in principle, be invited to attend and participate in all the Board meetings. It is, of course, understood that in certain situations, they may not, for good reasons, all be invited to a particular meeting.
- ii. A typical structure of a Board for the smaller enterprises could be a Chairman-cum-Managing Director with one, and possibly even two senior officers of the undertaking itself as functional Directors together with some part-time Directors. One of the functional Directors could, if necessary, be designated as Executive Director or Director (Co-ordination), should the burden on the Chairman-cum-Managing Director be too heavy.
- iii. In the cases referred to in (i) and (ii) above, there should be no bar to the appointment of a part-time Chairman, if in particular cases this course appears desirable. In such cases, a suitable whole-time Managing Director should invariably be appointed.
- iv. The number of part-time non-official Directors on the Boards of multi-unit and multi-regional Public Enterprises may be about 1/3rd of the total strength, which may be of the order of 12 to 15. In relatively smaller enterprises, the Board strength should be between 8 and 12, including official and non-official part-time Directors, the number of the latter being about 1/3rd of the total.
- v. The policy regarding appointment of full-time Chairman/ Managing Directors/Functional Directors from out of the "panels" being prepared by the Empanelment Selection Board in accordance with the Prime Minister's directive, should be followed without exception to ensure maximum utilization of the panels. The aim should be for the enterprises themselves to generate their own top executives at this level also, who should, therefore, be screened by the Empanelment Selection Board before considering empanelment of Government servants and men from private enterprises.

- vi. Appointment of Government representatives on the Boards should ordinarily be restricted to the dealing Joint Secretary/Director, but in the case of some Ministries, other officials within it might be chosen so as to constitute a Management Coordination Cell, as proposed to be done in the Ministry of Industrial Development and Internal Trade or to meet the conditions about the number or directorships held by each officer.
- vii. With regard to part-time Directors, as an interim measure, the services of those from the private sector, who have volunteered for full-time appointment in Public Enterprises and considered fit and empanelled to hold such top level posts in Public Enterprises may be advantageously utilised. A comprehensive list of those considered suitable for appointment as part-time Directors will, in due course, be prepared and circulated, it being understood, however, that discretion would be available to appoint those outside the list, where necessary. The final decision on the question of representation of workers on the Boards of Industrial Enterprises being pursued by the Department of Labour and Employment will also be relevant in this context.
- viii. On the question whether Government representatives on the Boards of Public Enterprises should necessarily include a representative of the Finance Ministry, while Finance Ministry representatives may be appointed to the major Public Enterprises, the relatively smaller enterprises may do without representatives of the Finance Ministry. In such cases, however, where there is no representative of the Finance Ministry on the Boards, the undertakings should ensure that the concerned Financial Advisers (Heads of the respective Expenditure Divisions in the Finance Ministry) receive, sufficiently in advance of the Board meetings, the agenda papers, as also the minutes of the meetings. This will enable the Finance Ministry to keep in touch with the activities of the enterprises.
- ix. The policy decision in regard to the exclusion of Members of Parliament in the Boards of Public Enterprises, which is based on the recommendations of the Krishna Menon Committee should remain unchanged. (The relevant extract from the report of the Krishna Menon Committee on State Undertakings and Government's decisions thereon, referred to above, is enclosed in Annexure).

2. The above decisions are brought to the notice of the Ministry of Petroleum and Chemicals, etc., for information and compliance.

ANNEXURE

Extract from the report of the Krishna Menon Committee on State Undertakings and Government's decision thereon.

42. Members of Parliament on Boards

A more difficult question to decide arises in the matter of Members of Parliament or Legislative Assemblies, and whether they should be members of Boards of Management. The overwhelming weight of considerations must be against it. Such membership even if it carries no emoluments, carries much power and patronage. The Member of Parliament concerned is part of the organ of public control and is the exponent of public criticism in Parliament. As a Director or part of a concern's administration he is responsible for the very conduct and affairs which Parliament, and therefore, he is called upon to examine, criticize and judge. Having specialized and inside knowledge, he can use it in Parliament and elsewhere, when he has disagreements with his colleagues on the Board and wishes to take a line apart from the team of which he is a Member. His colleagues who are not Members of Parliament like himself cannot reply. They are "officials"—employed in State Undertakings. His Parliamentary colleagues are also at a disadvantage because he purports to speak from expert and inside knowledge. The Minister finds himself in a very embarrassing position when the matter is debated in the House.

43. There is also the further consideration-for whom does he speak?

- (1) If he speaks for the industry in Parliament he takes the place of the Minister; (2) if he speaks for the Board as Managing Director or Chairman, being one himself, then he has greater facilities which other MPs do not have; (3) if he turns critic, he places every one including the industry in an adverse position.

44. It will be understood that such a Member of Parliament, who is not a member of Government, cannot take over the functions and duties of a Minister. He cannot be a critic for the reasons stated above. Thus, he can neither defend nor criticize, for as Chairman or a Director of the Company concerned he has access to information which others do not have and which he should not use. Therefore, if a Member of Parliament is Chairman or even a Director, he would disqualify himself for participation in discussions in regard to the concern he is associated with, and there would be severe limitations in regard to his participation in debates on similar concerns or State concerns as a whole. On the other hand, he cannot be obliged to sit in Parliament unconcerned, when the debate is on matters of which he has knowledge. This, in effect, would prevent him from functioning fully as a Member of Parliament. If, on the other hand, he were to use his position and his knowledge, then he places the concern of which he is an active and responsible part and the Board at a great disadvantage as well as in a position of embarrassment. His colleagues and the concern are not represented in Parliament except through the Minister. Conflicts will arise as to whom the Minister represents. In the result, therefore, appointment of Members of Parliament in Corporations is altogether an unhealthy practice and is difficult to justify.

Government's Decision on the Above Recommendation

"Members of Parliament should not be appointed to Boards of Directors".

(BPE No. 2(158)/70-BPE (GM) dated 13th October, 1972)

2. Inclusion of State Government representatives on the Boards of Directors of Public Enterprises.

The undersigned is directed to refer to this Ministry's O.M. No. 2(158)/70-BPE(GM) dated 13th October, 1972, on the composition of the Board of Directors of public enterprises wherein the broad principles which the administrative Ministries should follow in this respect, had been spelt out. This O.M. was silent on the question of nominating representatives of the State Government on the Board of Directors of the Central Public Enterprises.

2. The appointment of a representative of a State Government on the Board of Directors for the Central Public Enterprises has been pressed by a number of State Governments particularly by the states where major Public Enterprises are located. This issue is undoubtedly a very delicate matter involving the larger concept of Centre-State relationship. However, it is a fact that so long as the company is located in one State only, it would be desirable to have representative of the concerned State Government on the Board of Directors of the concerned enterprise. There are several matters particularly concerning law and order, industrial relations, State taxation, etc., where the representative of the State Government would provide useful input. In the case of multi-unit enterprises operating in many States, however, it would neither be desirable nor practicable to have a representative of the State Government from all States and it would be discriminatory to select only from a particular State. In other words, in such multi-unit enterprises, there is no need at present to include any representative of the State Government on the Board of Directors of the concerned enterprises.

3. In view of the delicate nature of the subject, the decision on the above lines is being brought to the notice of the administrative Ministries through this confidential circular.

(BPE O.M. No. 2(4)/75-BPE(GM-I) dated 22nd May, 1975)

3. Composition of Board of Directors of Public Enterprises.

As the Ministry of Industry, etc. are aware, according to the present policy of the Government, a sitting Member of Parliament should not be appointed to the Boards of Directors of Central Government Public Enterprises. The guidelines issued by BPE through its O.M. No. 2 (158)/ 70-BPE (GM) dated the 13th October, 1972, also envisaged that for large multi-unit enterprises and large trading organizations, the typical structure of a Board could be a full-time Chairman-cum-Managing Director, assisted by a few Functional Directors, and part-time Directors. It was, however, indicated at that time that there should be no bar to the appointment of a part-time Chairman if in particular cases this course appears desirable, in which cases, a suitable whole-time Managing Director should invariably be appointed.

2. Government had occasion to review these two issues at considerable length in the context of the recommendations of the Committee of Public Undertakings and in the light of some proposals received from the Administrative Ministries from time to time.

3. Government have decided that the policy of not appointing sitting Members of Parliament to the Boards of Directors of Central Government Public Enterprises should continue. Government have also taken a decision that the policy of combining the post of Chairman and Managing Director of a public enterprise should be decided on the merits of each type of enterprise and the availability of a competent person to hold the post of part-time Chairman.

4. The above decisions are brought to the notice of the Ministry of Industry, etc. for information and compliance. Cases where sitting Members of Parliament are already functioning as part-time Members of the Boards of Central Government Public Enterprises may also be reviewed in the light of the above decision of the Government when the Boards of Directors of such enterprises are reconstituted.

(BPE O.M. No. 2 (9) /80-BPE (GM) dated 20th April, 1982)

4. Appointment of part-time Chairmen of Public Enterprises.

The undersigned is directed to refer to the Government of India, Ministry of Finance, Bureau of Public Enterprises Resolution No.5/1/74-BPE(PESB) dated August 30, 1974 constituting the Public Enterprises Selection Board (PESB). The Resolution laid down the procedure to be followed for appointment of part time Chairmen, full time Chairmen and Managing Directors as well as full time Executive/Functional Directors. It was envisaged therein that for all the above mentioned appointments, PESB would be requested to suggest suitable names.

2. The procedure in regard to appointment of part-time Chairmen of public enterprises has since been reviewed. Government have decided that while in the normal course the PESB should make the selection of part time Chairmen as envisaged in the Government Resolution of August 30, 1974, it would also be open to the administrative Ministries to sponsor candidates for appointment as part-time Chairmen whose suitability could be considered along with that of others by the PESB. It has also been decided that where having regard to the nature of the post the administrative Ministries consider that a specific individual alone may be suitable for the post of part-time Chairmen, the Ministries should seek specific exemption from the PESB to appoint the part-time Chairmen chosen by them and the question of selection by the PESB in such cases would not arise.

3. The Ministry of Industry etc. may note the decision of Government regarding appointment of part time Chairmen for their future guidance.

(BPE O.M. No. 18(3)/82-GM.II dated 26th November, 1982)

5. Responsibilities of Part-time Chairman in PSEs.

You would have seen the BPE's Office Memorandum of even number dated December 18, 1982—revising the extant guidelines on the remuneration of part-time Chairman of the Public Enterprises. While reviewing the remuneration to be paid to the part-time Chairman, Government also reviewed the role and responsibilities of the part-time Chairman, which have not so far been spelt out in specific terms. It has, however, been felt necessary that the role and responsibilities of part-time Chairman should be spelt out in clearer terms in order to enable the part-time Chairman and the Chief Executive to function in a supportive manner so that they may be able to give their best in the direction of the affairs of the public enterprises. The part-time Chairman should guide the Board of Directors in the discharge of the role entrusted to them in respect of formulating corporate policy and the corporate plan, their implementation and evaluation with a view to improving the enterprise's performance. The part-time Chairman can call for information, but this should be appropriately done through the MD and not directly from the officers. As Chairman of the Board of Directors, the part-time Chairman will also evaluate the work of the Chief Executive in implementing the policies laid down by the Board for improving the enterprise's performance. A healthy relationship should develop between the part-time Chairman and the M.D. It will be improper for the MD to withhold information from the part-time Chairman. The part-time Chairman cannot issue directives as the management of Public Enterprises is vested under the Companies Act with its Board of Directors.

2. The role and responsibilities of the part-time Chairman outlined above could hereafter be conveyed appropriately, as and when a part-time Chairman is appointed in a Public Enterprise.

(BPE D.O. No 18(2)/82-GM-II dated 18th December, 1982)

6. Organization/Functioning of the Boards of Public Sector Enterprises—Decisions of the Government on the recommendations of the Economic Administration Reforms Commission Report on "Government and Public Enterprises—Top Management and the Boards".

The undersigned is directed to say that the Economic Administration Reforms Commission (EARC) in their report on "Government and Public Enterprises—Top Management and the Boards" have made a number of recommendations regarding the organization and functioning of the Boards of the public sector enterprises. These have been considered by the Government. The recommendations and the decisions of the Government on these recommendations are given below for information and necessary action by the respective administrative Ministries:

(i) Appointment of Chief Executive

It was noted that the replacement for Chief Executive, due to retire, was in some cases sought at a very late stage causing very often the enterprises to go topless. In this context, the EARC have recommended that the replacement for a Chief Executive due to retire should be found well in advance and inducted as an under-study and that if for any reason the successor is not in position, there should be automatic extension of the term of the existing incumbent until his successor is able to take over. It has now been decided by Government that the enterprises might create, if necessary, a supernumerary post of under-study for a limited period of three months. However, automatic extension of the term of the existing incumbent was not desirable and short-term extensions should only be in exceptional circumstances where there is delay in selection of a new incumbent. It is, therefore, requested that the vacancies that will arise as a result of superannuation or because of non-extension of the tenure of the existing incumbent may kindly be intimated by the respective administrative Ministries to the Public Enterprises

Selection Board at least three months in advance. This will enable Public Enterprises Selection Board to initiate recruitment action well in time to find a successor before the vacancy arises.

(ii) Appointment of Part-time Chairman

Vide BPE's O.M. No. 2(158)/70-BPE(GM) dated 13th October, 1972, the guidelines were issued regarding the composition of Boards of Directors of Public Enterprises. It was mentioned therein that the Board should normally be headed by a Chairman-cum-Managing Director. It was also indicated that there should be no bar to the appointment of a part-time Chairman if in particular cases this course appeared desirable. These guidelines were reiterated in 1982 vide BPE's O.M. No. 2(9)/80-BPE(GM) dated 20th April 1982. The EARC has also recommended that the general policy of appointing a single Chairman-cum-Managing Director should continue. This recommendation has been accepted by the Government.

It has also been decided that the practice of appointing the Secretary of the administrative Ministry as Part-time Chairman of a Public Enterprise, even for short period, should be discouraged.

(iii) Role of Government Directors on the Boards of Public Enterprises

The EARC are of the view that the association of Government officials with the Boards of Public Enterprises can be of advantage as this provides for a liaison role and a channel of communication between Government and the Public Enterprises. They have also emphasized that the dual role of a Government Director should be clearly recognized—as a Director of the company and as a representative of the Government. He should be allowed to function freely and use his own judgement without any formalized briefing by the Ministry before a Board meeting with discretion whether to seek a briefing or make a report. The Government Director should identify himself with the objects and goals of the enterprise, engage in joint thinking on equal terms and not assume a superior status, he should not reserve his position on matters before the Board, however, others on the Board should not expect him to commit the Government in respect of matters which require to be referred to the Government. In all subsequent examination of the Board approved proposals, his role should be mainly elucidatory and he should not sit in judgement over the Board. Reference to the Ministry for approval, sanction etc. should be addressed to the Government representative on the Board whose responsibility should be to process the matter and obtain the necessary Government approval promptly.

The Government have accepted these recommendations and the administrative Ministries may kindly brief the Government Directors on the Boards of their Undertakings suitably.

(iv) Number of Government Directors on the Board of Directors

On the basis of the recommendations of the Administrative Reforms Commission, the Bureau of Public Enterprises vide their O.M. No. 5/23/74-BPE(PESB) dated 3rd February, 1975, had suggested that ordinarily not more than two Government representatives should be appointed on the Boards of Directors of public sector enterprises. The EARC has also emphasized the need for keeping down the number of Government officials on the Boards of public enterprises. They have recommended that number of directorships reflecting special concerns or interests should be minimized and that the possibility of drawing suitable persons from non-Government sources should be considered. However, this does not apply to experts drawn from other public enterprises, which has been strongly recommended. The Government have accepted this recommendation. The administrative Ministries may kindly note for necessary action.

On the question of the representation of the officials of the administrative Ministries on the Board of Directors of public enterprises, the EARC have also recommended that an officer should not have too many directorships on the Boards of public enterprises so that he can do adequate justice to his role as a Government Director. The directorships held by each Joint Secretary could be kept down by having Directors/Deputy Secretaries on the Boards of smaller enterprises. Further, the Ministries having a large number of public enterprises could consider reducing the number of Under Secretaries and perhaps even Deputy Secretaries and providing for an additional Joint Secretary or two to add to efficiency and economy.

Government have noted this recommendation and are of the view that restricting the number of directorships and spreading of the workload of directorships evenly in the administrative Ministries by putting Directors and Deputy Secretaries on the Boards of small public enterprises was already being followed. However, the administrative Ministries could look into the question of their restructuring as suggested by the EARC.

(v) Clear Demarcation of Powers of decision-making between the Board and the Government

The EARC has recommended that there should be clarity in regard to the powers of decision-making of the Board and those, which are reserved for the Government. In this context, they have mentioned that while on paper and in the Articles of Company such clarity exists, in a very large number of cases, informal advice amounting virtually to a directive percolates from the administrative Ministries to the public enterprises. In consequence, the Government Directors on Boards also tend to be used or considered to be acting as channels of informal control by the Ministry. Since functional autonomy of these enterprises is essential for their good performance, there should be no vagueness about the areas on which the Boards can take decisions and those in which it must seek prior Governmental approval.

This recommendation has been accepted by the Government and the administrative Ministries are requested to review the position in this regard.

2. BPE may kindly be kept informed of the action taken in regard to the above decisions of the Government.

(BPE O.M. No. 18/1/84-GM dated 19th September, 1984)

7. Composition of Board of Directors of Public Sector Enterprises.

The question of Composition of the Board of Directors of PSEs has been considered from time to time and various guidelines have been issued in this regard by the Bureau of Public Enterprises. The Members of the Board of PSEs generally consist of the following three categories:—

- i. **Functional Directors:**— These are full time operational Directors responsible for day to day functioning of the enterprise. The Economic Administrative Reform Commission (EARC) had recommended that each Board should have an adequate number of Functional Directors on it. This was considered by the Govt. and the Bureau of Public Enterprises had issued guidelines in 1984 that the posts of Director (Finance) and Director (Personnel) be created in all Schedule ‘A’ and Schedule ‘B’ enterprises and on a selective basis in Schedule ‘C’ Companies. Apart from these two functions, the enterprises could have representation at Board level for other disciplines such as production, marketing, project, planning etc. It is, however, observed that these guidelines are not being followed by the Administrative Ministries while constituting the Boards of PSEs. While in some cases the Boards are functioning without a single Functional Director, in others there is preponderance of such Directors.

- ii. **Government Directors:**– These are appointed by the Administrative Ministries and are generally the officers dealing with the concerned enterprise. In most cases there are two such Directors on a Board; the Joint Secretary or Additional Secretary dealing with particular enterprise and the Financial Adviser of the Ministry. The question of representation of Government Directors on the Boards of PSEs was examined by the Arjun Sengupta Committee and following its recommendation, the Bureau of Public Enterprises have issued guidelines in 1986 that the Administrative Ministry concerned should not have more than one nominee Director on the Board of a PSE. In case of PSEs engaged in trading or dealing with important and exclusive items the number of Government Directors could be two. It is, however, noticed that in actual practice the number of Government Directors on the Boards of PSEs continues to be large.
- iii. **Non-Official Directors:**– The induction of Non-Official Directors on the Boards of PSEs has been considered essential by various Committees and Commissions in order to make the Boards more professional. They are to be drawn from the public men, technocrats, management experts and consultants, and professional managers in industry and trade with a high degree of proven ability. The Bureau of Public Enterprises have issued guidelines in 1983 that the number of such Directors on a Board should be one-third of its total strength. This input is considered very important as it plays a complementary role in providing professional and managerial advice to the Board. It has, however, been the experience that the vacancies of these Directors are not filled up to stipulated levels in many enterprises by the Ministries.

2. The Department of Public Enterprises has recently considered the question of professionalization of the Boards of PSEs in pursuance of the New Industrial policy Statement made in the parliament on 24th July, 1991 and it has been decided that the composition of the Boards of Directors in PSEs should be broadly on following lines:–

(A) Functional Directors:

Every Board should have some full time Functional Directors. The number of such Directors on a Board should not exceed 50% of the actual strength of the Board.

- i. In cases where the number of Functional Directors on the Board is more than the 50% of its actual strength (not sanctioned strength), Administrative Ministries will immediately undertake a review of the strength of the Board in consultation with Department of Public Enterprises and PESB.
- ii. On such Boards where the posts of Functional Directors do not exist, Administrative Ministries will take immediate steps to create such posts in accordance with the prescribed guidelines.

(B) Government Directors:

The number of the Government Directors on the Board of Directors of an enterprise should not exceed one-sixth of the actual strength of the Board.

- i. It will be preferable to have only one Government Director from the concerned Administrative Ministry on each Board. The choice of the nominee Director would vest with the Secretary of the concerned Department.
- ii. In case of PSEs where it is considered essential to give representation on the Boards to other concerned Government agencies/Ministries/State Governments, only one representation from the Group could also be appointed on the Board as part-time Government Director.

- iii. The number of Government Directors on a Board should in no case exceed two.

(C) Non official Directors :

- i. The number of Non-Official Part-time Directors on a Board should be at least one-third of its actual strength. Wherever there is under representation of such Directors on the Board the concerned Ministries should take immediate steps to fill up the vacancies to stipulated level.
- ii. A Panel of suitable persons who could be considered for appointment as Non-Official Part-Time Director on the Boards of PSEs will be maintained centrally by Department of Public Enterprises. This Panel will be prepared in consultation with PESB and the Secretary of the concerned Administrative Ministry.

3. All Ministries/Departments concerned with Public Sector Enterprises are requested to strictly adhere to above guidelines in the composition of the Boards of Directors in respect of PSEs under their administrative control.

Composition of Board of Directors of Public Sector Enterprises.

Reference is invited to this Department's O.M. of even number dated the 16th March, 1992 on the above mentioned subject. In para 2 (B) (ii) of the said O.M., it was, inter-alia, mentioned that the choice of the Nominee Director would vest with the Secretary of the concerned Department. The matter was reconsidered in this Department and it has now been decided that the choice of the Nominee Director would vest with the administrative Ministry of the concerned Department.

2. All Ministries/Departments concerned with Public Sector Enterprises are requested to take note of the above decision and follow the same at the time of composition of Board of Directors of PSEs under their administrative control.

(DPE O.M. No. 18 (6)/91-GM dated 16th March, 1992.)

8. Composition of Board of Directors of Public Sector Enterprises

The undersigned is directed to refer to this Department's O.M. No. 18(6)/91-GM dated 16.3.92 on the subject mentioned above wherein it was, inter-alia, mentioned that the number of Government Directors on the Board of Directors of an Enterprise should not exceed 1/6th of the actual strength of the Board and that the number of such Directors should in no case exceed two.

The Committee on Public Undertakings (1998-99) in its fourth Report on "Senior level posts in public undertakings—Appointment and related matters" has expressed strong displeasure over the deviations in this regard in some of the undertakings. The Committee has desired that the number of Government Directors should be brought down within the prescribed limit.

All the administrative Ministries/Department are requested to review the existing composition of the Board of Directors of PSUs under their administrative control and bring down the number of Government Directors within the limits prescribed in this Department's O.M. referred to in para 1 above. Action taken in this regard may kindly be intimated to this Department early.

(DPE O.M. No. 2(19)/99-GM dated 25th January, 2000)

9. Composition of Board of Directors of Public Sector Enterprises

The undersigned is directed to refer to this Department's O.M. No. 18(6)/91-GM dated 16.3.92 on the subject mentioned above wherein it was, inter-alia, stated that every Board should have some non-official

Directors whose number should be at least 1/3rd of the actual strength of the Board.

The Committee on Public Undertakings (1998-99) in its fourth Report on “Senior level posts in Public Undertakings – Appointment and related matters” has expressed the opinion that shortage of non-official Directors on the Board deprives the undertakings of expert guidance of seasoned professionals and technocrats. This is particularly true in the case of sick/potentially sick undertakings or those, which are to be restructured. The Committee has, therefore, recommended that the strength of non-official Directors in PSUs should be brought to the level stipulated in the guidelines without further loss of time and at the same time care should be taken that persons having vested interests directly or indirectly in the particular industry are not inducted into the Boards of PSEs.

The administrative Ministries/Departments are requested to take immediate action to appoint non-official Directors on the Boards of those PSUs where adequate number of such Directors are not in position at present. As the administrative Ministries/Departments are aware, it is always to be ensured that only such persons who do not have any conflict of interest with the functions of the concerned PSU are appointed as non-official Directors.

(DPE O.M. No. 2(20)/99-GM dated 25th January, 2000)

10. Composition of Board of Directors of Public Sector Undertakings.

According to the existing policy, as contained in this Department's O.M. No. 18(6)/91-GM dated 16.3.1992, the Board of Directors of Public Sector Undertakings should consist of (i) Full time Functional Directors whose number should not exceed 50% of the actual strength of the Board; (ii) Government Directors whose number should not exceed one-sixth of the actual strength of the Board subject to the condition that in no case the number should exceed two; and (iii) Non-official part-time Directors whose number should be at least one-third of the actual strength of the Board.

2. The Securities & Exchange Board of India (SEBI) has issued guidelines regarding Listing Agreements with Stock Exchanges, which include a new Clause 49 on Corporate Governance, an extract of which is enclosed (Annexure-I). It provides that in the cases of companies with non-Executive Chairmen at least one-third of the Board should comprise Independent Directors and in the cases of companies with Executive Chairmen at least half of the Board should comprise Independent Directors. The definition of Independent Directors is also given under the Clause 49. The SEBI has clarified that in the case of Public Sector Undertakings the Government nominee Directors cannot be considered as Independent Directors for the purpose of constitution of Board of Directors. The SEBI has, however, subsequently agreed that the nominees of Financial Institutions would be treated as Independent Directors for listed public sector companies. A schedule of implementation is also enclosed (Annexure-II).

3. As all listed companies including PSUs have to comply with the SEBI guidelines, there may be a need to reconstitute the Boards of Directors of some of the listed PSUs so that the requisite number of Independent Directors is inducted in order to avoid de-listing.

4. All the administrative Ministries/Departments are, therefore, requested to take appropriate action, if not already taken, to reconstitute the Board of Directors of listed PSEs in accordance with the SEBI guidelines within the time schedule prescribed. In case there is a need to increase the maximum number of Directors permissible under the Articles of Association, the respective PSEs may be advised to take steps to amend the relevant Article suitably.

CLAUSE 49: CORPORATE GOVERNANCE**I. Board of Directors**

- A. The company agrees that the board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. The number of independent directors would depend whether the Chairman is executive or non-executive. In case of a non-executive chairman, at least one-third of board should comprise of independent directors and in case of an executive chairman, at least half of board should comprise of independent directors.

Explanation: For the purpose of this clause the expression 'independent directors' means directors who apart from receiving director's remuneration, do not have any other material pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in judgement of the board may affect independence of judgement of the director. Except in the case of government companies, institutional directors on the boards of companies should be considered as independent directors whether the institution is an investing institution or a lending institution.

- B. The company agrees that all pecuniary relationship or transactions of the non-executive directors vis-a-vis. the company should be disclosed in the Annual Report.

SCHEDULE OF IMPLEMENTATION

The above amendments to the listing agreement have to be implementation as per schedule of implementation given below:-

- By all entities seeking listing for the first time, at the time of listing.
- Within financial year 2000-2001, but not later than March 31, 2001 by all entities, which are included either in Group 'A' of the BSE or in S&P CNX Nifty index as on January 1, 2000. However to comply with the recommendations, these companies may have to begin the process of implementation as early as possible.
- Within financial year 2001-2002, but not later than March 31, 2002 by all the entities which are presently listed, with paid up share capital of Rs.10/- crore and above, or networth of Rs.25 crore or more any time in the history of the company.
- Within financial year 2002-2003, but not later than March 31, 2003 by all other entities, which are presently listed, with paid up share capital of Rs.3 crore and above.
- As regards the non-mandatory requirement given in Annexure-3, they shall be implemented as per the discretion of the company. However, the disclosures of the adoption/non-adoption of the non-mandatory requirements shall be made in the section on corporate governance of the Annual Report.

Role of Government Directors on the Boards of Public Enterprises. (DPE O.M. No. 18(24)/2003-GM-GL-49 dated 4th December, 2003)

(DPE O.M. No. 18(6)/2000-GM dated 26th November, 2001)

(h) Matters relating to Board of Directors

1. Date of Superannuation of full-time Board level appointees in Central Public Enterprises.

The undersigned is directed to refer to this Department's O.M. No. 5 (17)/86-BPE dated the 2nd June, 1986 on the subject mentioned above wherein it was mentioned that full-time Board level appointees in Central Public Enterprises, who are given tenure up to the date of superannuation, would retire on the actual date of their superannuation and not on the last day of the month in which they superannuate. The Government have reconsidered the matter and it has now been decided that full-time Board level appointees in the Central Public Enterprises will retire on the last day of the month of their superannuation. This decision will come into force from the date of issue of this OM.

2. All the administrative Ministries are requested to kindly take note of this decision for compliance in respect of public enterprises under their administrative control.

(DPE O.M. No. 18 (6)/89-GM dated 11th April, 1991.)

2. Date of superannuation of full-time Board level appointees in Central Public Enterprises.

The undersigned is directed to refer to this Deptt's. OM of even No. dated the 11th April, 1991 on the subject mentioned above and to say that a doubt has been raised about the date of retirement of executives whose date of birth falls on the first day of the month. It is clarified that a full-time Board level appointee in the Central Public Enterprises whose date of birth falls on the first of the month shall retire from service on the afternoon of the last day of the preceding month, on attaining the age of superannuation.

2. All the administrative Ministries are requested to kindly take note of this while implementing the decisions communicated in this Department's. OM refereed to in para 1 above.

(DPE O.M. No. 18 (6) / 89-GM dated 14th May, 1991)

3. Age of retirement of below board level employees of Central PSEs—raising from 58 to 60 years.

The undersigned is directed to say that the Government has decided to enhance the age of retirement for below board level employees of Central Public Sector Enterprises in the manner mentioned below:—

- (a) Except as otherwise provided specifically every employee at below board level in the Central Public Enterprises whose age of retirement is currently 58 years shall now retire from the services of the enterprise on the afternoon of the last date of the month in which he/she attains the age of 60 years. However, below board level employees of public sector enterprises whose date of birth is the first of the month shall retire from service on the afternoon of the last date of the preceding month on attaining the age of 60 years.
- (b) There shall be a complete ban on extension of service beyond the age of superannuation i.e. 60 years;

2. These decisions will come into force w.e.f. the date the relevant rules and regulations of the PSEs concerned are amended by the concerned PSE. These decisions, however, do not apply in the cases of those employees who have already retired in accordance with the earlier rules, and who are on extension in service on the date of issue of these instructions or those who are governed by specific rules or regulations.

3. Consequent upon enhancement of age of retirement from 58 to 60 years, the public sector enterprises

will review the vacancies arising from retirement in regard to direct recruitment as well as promotion so that there is no over recruitment or litigation leading to creation of supernumerary posts or review DPCs because of change in the zone of consideration as a result of reduction in retirement vacancies.

4. All the administrative Ministries/Departments are requested to communicate the above decisions of the Government to the public sector enterprises under their administrative control for strict compliance.

(DPE O.M. No. 18(6)/98-GM-GL-002 dated 19th May, 1998)

4. Age of retirement of board level appointees in Central PSEs — raising from 58 to 60 yrs

The undersigned is directed to say that the Government has decided to enhance the age of retirement for board level appointees of Central PSEs in the manner mentioned below:—

- a) The age of retirement of board level appointees in PSEs will be 60 years with effect from date of issue of this O.M.
- b) This will not apply to those who are on extension beyond 58 years on the date of issue of this OM. They will retire upon expiry of the extension.
- c) Those existing incumbents who have not completed 58 years or 5 years' tenure may continue upto 60 years or completion of 5 years' tenure, whichever is earlier. Orders may be issued by the Ministries concerned without reference to ACC.
- d) Where existing incumbents complete 5 years' tenure and there is a need to continue their service upto 60 years, reference will first have to be made to PESB on a case by case basis for assessment of their performance and thereafter approval of ACC obtained as per usual procedure.
- e) If as a consequence of (c) above, an existing incumbent completes 5 years' tenure before 31st August, 1998 and it is considered necessary to continue his service, the administrative Ministry/Department with the approval of the Minister concerned may grant extension of tenure upto three months pending completion of the procedures as prescribed in (d) above.

2. All the administrative Ministries/Departments are requested to take necessary action to implement the above decisions.

[DPE O.M. No. 18(6)/98-GM-GL-005 Dated 30th May, 1998]

5. Age of retirement of board level appointees in Central PSEs—raising from 58 to 60 years.

The undersigned is directed to refer to this Department's OM of even number dated the 30th May, 1998 on the subject mentioned above and to say that it has been decided to insert the following sub-para in the O.M. dated 30th May, 1998:—

1 No extension in service shall be granted to a board level appointee after he/she attains the age of 60 years. A Board level appointee who has attained the age of 60 years on or before 30th May, 1998 but was granted extension in service prior to 30th May, 1998 shall retire at the end of the extended period of service but no further extension in service shall be granted.

2. All the administrative Ministries/Departments are requested to take necessary action in the matter.

(DPE O.M. No. 18(6)/98-GM dated 17th August, 1998)

6. Age of retirement of below board level employees of Central Public Enterprises—raising from 58 to 60 years.

The undersigned is directed to refer to this Department's O.M. No. 18(6)/98-GM-GL-002 dated the 19th May, 1998 on the subject mentioned above and to say that the decision of the Government in this regard is binding on all undertakings. In case any administrative Ministry or Public Sector Undertaking does not want to increase the age of retirement of its employees, specific exemption from operation of the aforesaid decision would be necessary.

2. All the administrative Ministries/Departments are requested to take note of the above and advise the Public Sector Enterprises under their administrative control suitably.

(DPE O.M. No. 18(9)/98-GM dated 21st August, 1998)

7. Time limit for board level appointees to joining posts in PSUs.

The existing guidelines relating to appointments to Board level posts in PSUs do not prescribe any time limit for an appointee to join the post with the result that the posts remain vacant for a long time even after the selection process is completed. The Government has reviewed the position and it has been decided that a time limit of three months from the date of issuance of offer of appointment could be prescribed for an appointee to join the post failing which he would be debarred from being considered for board level posts in any PSU. An indication about this may be incorporated in the offer of appointment. Names of appointees who fail to join the posts within the prescribed time limit will be reported to the Establishment Officer and Secretary, PESB by the concerned administrative Ministry/Department.

2. All the administrative Ministries/Departments are requested to take note of the above decision for compliance.

(DPE O.M. No. 18(21)/98-GM dated 8th December, 1998)

8. Cut-off age for board level appointments in Central Public Sector Enterprises.

As per DOPT guidelines No.27(3)-EO/84(ACC) dated 20.2.1984 and reiterated in No.23(5)EO/92(ACC) dated May, 1992, candidates for interview by PSEB, for Board level appointments in PSUs, should not exceed 56 years of age. Consequent upon the enhancement of the age of retirement of board level appointees from 58 to 60 years, the issue as to whether the cut-off age for selection for board level appointments would require a modification was considered by the Government and the following decisions have been taken:

- (a) The upper age limit for consideration for a board level post will be 58 years for all executives, whether internal or external, with effect from the date of issue of this OM.
- (b) PESB selections so far made after 31.5.98, by giving relaxation in the upper age limit unto 58 years to internal candidates shall be reviewed, by excluding such candidates since ACC's approval to relaxation in upper age limit up to 58 years was not available to candidates whether internal or external, at the time of making those selections.

- (c) The cut-off date for deciding the eligibility of the candidates, will be the date of occurrence of the vacancy. However, in case where selection is required to be made again by the PESB, for reasons like rejection of the panel by the ACC or the selected candidates not joining, then in such cases, the crucial date will be the date on which the panel is rejected by the ACC.

2. All the Administrative Ministries/Departments are requested to kindly take note of the above decisions for guidance and necessary action.

(DPE O.M. No. 18/6/98-DPE(GM) dated 3rd February, 1999)

9. Age of retirement of employees of Public Sector Enterprises.

The undersigned is directed to refer to this Department's O.M. No. 18(6)/98-GM dated 19.5.1998 and No. 18/9/98-GM dated 21.8.1998 on the subject mentioned above and to say that there has been proposals for rolling back the age of retirement in the case of some sick/unviable PSUs for which rehabilitation/revival packages are under consideration. The procedure to be followed in such cases was considered and it has now been decided that in such cases the Board of the concerned company should review its decision on the raising of the age of retirement and make suitable recommendations to the administrative Ministry/Department concerned for taking the approval of the Cabinet.

All the administrative Ministries/Departments are requested to follow the above procedure in case the age of retirement of employees of sick/unviable PSU for which rehabilitation/revival packages are under consideration, is to be rolled back to 58 years. The PSUs under their administrative control may also be apprised of this procedure.

(DPE O.M. No. 18(10)/99-GM-GL-025 dated 9th May, 2000)

10. Age of retirement of employees of Public Sector Enterprises.

The undersigned is directed to refer to this Department's O.M. of even number dated the 9th May, 2000 on the subject mentioned above wherein the procedure for rolling back the age of retirement of employees of sick/unviable PSUs for which rehabilitation/revival packages are under consideration, has been laid down. The procedure included taking the approval of the Cabinet.

2. The issue whether the approval of the Cabinet is necessary in such cases has been reconsidered and it has now been decided that such proposals for roll back of the age of superannuation from 60 years to 58 years in Public Sector Enterprises covered under the DPE O.M. dated 9.5.2000, which are duly approved by their Board of Directors and also the Minister in charge of the administrative Ministry need not be brought before the Cabinet.

3. All the administrative Ministries/Departments are requested to kindly note the above mentioned change in the procedure.

(DPE O.M. No. 18(10)/99-GM-GL-30 dated 1st January, 2001)

11. Age of retirement of employees of Public Sector Enterprises.

The undersigned is directed to refer this Department's O.M. of even number dated 1.1.2001 on the subject mentioned above wherein the decision of the Government that proposals for roll back of age of retirement of employees of sick/unviable PSEs for which rehabilitation/revival packages are under consideration, which

are duly approved by the Board of Directors and also the Minister-in-charge of the administrative Ministry need not be brought before the Cabinet was communicated.

2. The Government has further considered the question of extending the above decision to all PSEs and all categories of employees, both Board level and below Board level, and it has been decided that henceforth the Minister-in-charge of the administrative Ministry will have the authority to approve proposals for roll back of age of superannuation from 60 years to 58 years for all PSEs and all categories of employees, both Board level and below Board level, which are duly approved by their Board of Directors.

3. As a consequence of the above decision, the Government has also decided as under:

- (i) To fix another cut-off age of 56 years for recruitment to Board level posts in respect of those PSEs where the age of retirement is 58 years so that a minimum of 2 years residual length of service before retirement is available on the same principle of the cut-off age of 58 years for recruitment to board level posts in respect of PSEs where the age of retirement is 60 years. This is in partial modification of this Department's O.M. No. 18(6)/98-DPE (GM) dated 3.2.1999.
- (ii) To revert back the upper age limit for recruitment by the method of direct open competitive examination to below board level posts in the case of PSEs where the age of retirement is rolled back to 58 years. This would be in partial modification of this Department's O.M. No. 18(6)/98-GM dated 28.6.1999. A reasonable period of at least 3 months will be given for the reduced upper age limit to have effect.

4. All the administrative Ministries/Departments are requested to kindly take note of the above decisions for information and necessary action. This may also be brought to the notice of all PSEs under this administrative control for appropriate necessary action.

(DPE O.M. No. 18(10)/99-GM-GL-33 dated 22nd August, 2001)
[Amended vide O.M. dated 1.4.2005 (GL-62) at S. No. 13]

12. Role of Government Directors on the Boards of Public Enterprises.

The undersigned is directed to say that instructions on various matters relating to the organization/ functioning of the Boards of Public Sector Enterprises (PSEs) were issued vide BPE O.M. No.18/1/84-GM dated 19.9.1984. The role of Government Directors on the Boards of PSEs were spelt out in these instructions. The relevant portion is reproduced below:-

“Role of Government Directors

The EARC are of the view that the association of Government officials with the Boards of Public Enterprises can be of advantage as this provides for a liaison role and a channel of communication between Government and the Public Enterprises. They have also emphasized that the dual role of a Government Director should be clearly recognized—as a Director of the company and as a representative of the Government. He should be allowed to function freely and use his own judgement without any formalised briefing by the Ministry before a Board meeting with discretion whether to seek a briefing or make a report. The Government Director should identify himself with the objects and goals of the enterprise, engage in joint thinking on equal terms and not assume a superior status. He should not reserve his position on matters before the Board. However, others on the Board should not expect him to commit the Government in respect of matters, which require to be referred to the Government. In all subsequent examination of the Board approved proposals, his role should be mainly elucidatory and he should not sit in judgement over the Board. Reference to the Ministry for approval, sanction etc. should be addressed to the Government representative on the Board whose responsibility should

be to process the matter and obtain the necessary Government approval promptly.

The Government have accepted these recommendations and the administrative Ministries may kindly brief the Government Directors on the Boards of their Undertakings suitably.”

2. These instructions are once again brought to the notice of the administrative Ministries/Departments for information and guidance.

(DPE O.M. No. 18(24)/2003-GM-GL-49 dated 4th December, 2003)

13. Age of retirement of employees of Public Sector Enterprises.

The undersigned is directed to refer to this Department’s O.M, 18(10)/99-GM-GL-33 dated 22.8.2001 on the subject mentioned above wherein, among other things, the authority to approve proposals for roll back of age of superannuation from 60 years to 58 years for all PSEs and all categories of employees, both Board level and below Board level, which are dully approved by their Board of Directions was delegated to the Minister-in-Charge of the administraiive Ministry.

2. The Government has since received this matter and it has now been decided that the powers for roll back of age of retirement of employees of PSEs, including Board level execution, shall hence forth vest with the Cabinet.

3. All the administraiive Ministies/Departments are requested to kindly take note of the above decisions for information and compliance. This may also be brought to the notice of all PSEs under this administrative control.

(DPE OM No.18(9)/2004-GM –GL62 dated the 1st April, 2005)

14. Holding Board meetings of Central Public Sector Enterprises (CPSEs) at Headquarters

It has been brought to the notice of the Government that some Central Public Sector Enterprises particularly those which are located in the North-East are holding their Board meetings and other Sub-Committee meetings in places like Delhi, Kolkata, Mumbai, etc. Very rarely are these meetings held at the Headquarters of the PSE concerned. It has also been pointed out that this has created resentment amongst the employees of the PSE concerned. Further, the Board of Directors is deprived of exposure to field organisations.

2. The matter has been examined in the Government and it has been decided that normally the meetings of the Board and Sub-Committees of the Board should be held at the Headquarters of the CPSE concerned. There should, however, be no objection in holding the meetings at the Unit Headquarters of the company also as it would give an opportunity to the Directors to acquaint themselves with the working of different Divisions/ Units of the company. If the meeting is to be held in any place other than the Headquarters of the PSE or the Unit Headquarters, the reasons for doing so should be recorded in writing.

3. All the administrative Ministries/Departments are requested to take note of the above decision and also to advise the PSEs under their administrative control to ensure that the above decision are followed.

(DPE OM No.18(17)/2005-GM –GL63 dated the 18th July, 2005)

15. Procedure to be observed for Board level appointments for CPSEs requiring approval of ACC.

The undersigned is directed to invite a reference to the Department of Personnel & Training (DOPT) O.M. No. 26(3)/EO/2004-ACC dated 17.8.2005 in which detailed guidelines on the subject mentioned above have been issued. The guidelines in so far as they relate to the appointments in Central Public Sector Enterprises, are reproduced in the subsequent paras.

2. Whenever personnel related schemes or policies are under review, proposals under that scheme or policies should continue to be processed under the existing rules and regulations till such time amendments are actually approved by the ACC. However, such amendments should be carried out within 6 months of the directions of the ACC. In case the process of amendments of the Policies/Schemes/Rules goes beyond this time period the concerned Ministry/Department would have to explain date wise steps taken for finalisation of the Rules.

3. (a) In respect of Board level appointments in PSEs, defined time-frame was circulated to all Ministries/Departments vide O.M. No.27(12)EO/94(ACC) dated 30th July, 1999. These instructions were subsequently modified vide O.M. No.27(12)/EO/94(ACC) dated 22.12.99 to increase the time period from 6 months to 12 months, for initiating action for filling up of Board level vacancies. Despite these instructions in force, some Board level appointments continue to get delayed either on account of delays in obtaining vigilance clearance/court cases/ineligibility, etc. Hence, it may be desirable to initiate action at least 2 years in advance of the date of occurrence of the vacancy with a stipulation that the PESB recommendations in respect of such Board level vacancies should be made at least 6 months in advance of the date of vacancy and, therefore, the same should be sent to the Ministry concerned, for completing other formalities.

(b) For extension of tenure of Board level appointees, extant instructions as contained in Cabinet Secretary's D.O. No. 27(18)EO/86-ACC dated 17.12.1986 provide that extension proposals should be initiated four months in advance of the date of vacancy. It has now been decided that in case of proposals for extension of Board level appointments action should be initiated one year in advance of the date of occurrence of the vacancy so as to ensure that proposals are submitted two months in advance, for consideration of the ACC.

4. The ACC has delegated its power for entrusting additional charge arrangement in all scheduled PSEs, to the respective Ministries up to three months from the date of vacancy with the approval of Minister-in-charge and proposals for additional charge beyond three months up to a maximum of six months should be submitted to the Establishment Officer for obtaining approval of the competent authority. The delegation to the Ministries/Departments, as above is subject to the following:

- a) additional charge of the post of CMD is assigned only to the senior-most functional Director in the PSE;
- b) the officer is clear from vigilance angle;
- c) timely action has been taken to fill up the vacancy and the position is brought out in the proposal seeking additional charge;
- d) any deviation from the above would require ACC approval;
- e) the above delegation shall not apply to companies referred to BIFR. The proposals in this regard, for entrusting additional charge may continue to be sent to the Establishment Officer for obtaining approval of the competent authority.

- f) The proposals other than those delegated in the preceding sub-paras may be submitted to the EO who would arrange to get the formal orders issued with the approval of the competent authority.

5. The ACC has directed that the current charge arrangements beyond three months be totally dispensed with and full additional charge be considered in such cases. The current charge arrangements has been allowed to the Ministries upto three months with the approval of the Minister-in-Charge. In so far as PSEs are concerned, there should not be any occasion to give current charge of a post of functional Director; the same should automatically vest in the CMD and, in case of a post of CMD, the same should be entrusted to the senior most functional Director, as per the extant orders. However, this may exclude BIFR referred Companies, as in sub-para 4 (e) above.

6. The ACC, after carefully reviewing the entire ACC approval process, has approved the above guidelines. Administrative Ministries/Departments are therefore requested to take note of the above guidelines approved by ACC for strict compliance by all concerned. Receipt of this O.M. may be acknowledged.

(DPE O.M. No. 18(23)/2005-GM-GL-70 dated 27th September, 2005)

16. Cut-off age for Board level appointments in Central Public Sector Enterprises

The undersigned is directed to refer to this Department's OM of even number dated 3.2.1999 and OM No.18(10)/99-GM-GL-33 dated 22.8.2001 on the subject mentioned above wherein the decision of the Government that candidates for interview by PESB for Board level appointments in PSEs should not exceed 58 years of age where the age of retirement is 60 and 56 years in the cases where age of retirement is 58 years.

2. The Government has further considered the matter and, in modification to the above mentioned OMs, has decided as under :-

- (i) The cut-off age for external candidates for consideration for Board level posts in Public Sector Enterprises should be a minimum of three years service left (on the date of occurrence of vacancy) with reference to superannuation age applicable in the PSE against which the candidate is being considered, and
- (ii) For internal candidates, the residual service condition would continue to be two years.

3. All the administrative Ministries/Departments are requested to kindly take note of the above decision for guidance and necessary action.

(DPE OM No. 18(6)/98-GM-GL-72 dated the 20th October, 2005)

17. Enhancement of age of retirement of Board and below Board level employees of profit earning Central Public Sector Enterprises (CPSEs).

The Government had taken a decision to increase the age of retirement from 58 to 60 years of Board level and below Board level employees of Central Public Sector Enterprises (CPSEs) in May 1998. In May 2000, sick/unviable CPSEs were permitted to roll back the age of retirement from 60 to 58 years with the approval of the Cabinet. Subsequently in August 2001, the Cabinet delegated the authority to Minister-in-charge to approve proposals for roll back of age of retirement from 60 to 58 years for all CPSEs and all categories of employees, which are duly approved by their Board of Directors. This decision was reviewed in

April 2005 and it was decided that the power for roll back of age of retirement of all categories of employees of CPSEs would thereafter vest with the Cabinet.

2. In the meantime, several sick CPSEs have started making profit and these CPSEs have requested for enhancement of age of retirement of its employees from 58 to 60 years. The matter has further been reviewed by the Government and it has now been decided that the Minister-in-charge of the administrative Ministry/Department concerned is empowered to approve the proposals of CPSEs to enhance the age of retirement from 58 to 60 years, provided that-

- (a) The CPSE concerned should as per its audited annual accounts have made net profits for the last 3 years continuously and should have a positive net worth during the last three years.
- (b) The CPSE has not availed any budgetary support during the last 3 years and no budgetary support will be availed by the CPSE in future.
- (c) The proposals are approved by the Board of Directors of the CPSE concerned and have the concurrence of Financial Advisor of the concerned administrative Ministry/Department.

3. All the administrative Ministries/Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

(DPE OM No. 18(1)/2007-GM-GL-80 dated 20th April, 2007)

18 Definition of "internal candidate" for the purpose of selection for appointment to a Board level post in Central Public Sector Enterprises.

As per prevailing policy for selection of top posts in Central Public Sector Enterprises (CPSEs), unless markedly better candidates are available from outside, internal candidates, employed in the public sector enterprises will be preferred for appointment to Board level posts. The definition of an internal candidate has a direct bearing on short-listing of candidates for various Board level posts in CPSEs. Government has, therefore, approved the following definition of the 'internal candidate':—

"Internal candidate is one, who is an employee of an enterprises who has put in a minimum of 2 years of continuous service in it, on the date of occurrence of vacancy, and who does not hold a lien in any other PSE/Government. An employee, who holds a lien on a post in a CPSE can also be considered as 'an internal candidate' of that enterprise provided he/she has put in a minimum of 2 years of continuous service in that enterprise, on the date of acquiring lien and the period for which he/she is away from the enterprise is not more than 5 years."

2. All the administrative Ministries/Departments are requested to kindly take note of the above decision for guidance and necessary action.

[DPE OM No. 18(2)/96-GM-GL-81 Dated 16th May, 2007]

19 Enhancement of Age of retirement of Board and Below Board level employees of profit earning Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer this Department's O.M. No. 18(1)/2007-GM-GL-80 dated 20th April, 2007 on the subject mentioned above.

2. The Government has further considered the matter and the condition relating to budgetary support [para 2(b) of above mentioned O.M. dated 20th April, 2007] has been modified.

3. Budgetary support would now mean support for “non-plan expenditure for salary, wages, payment of statutory dues, payment for Voluntary Retirement/Separations Schemes (VRS/VSS) and payment to meet cash losses”.
4. Other provisions as mentioned in O.M. dated 20th April, 2007 will remain unchanged.
5. All the administrative Ministries/Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

[DPE OM No. 18(1)/2007-GM-GL-87 Dated The 19th July, 2007]

20. Appointment of Chief Executives and Functional Directors in sick/loss making Central Public Sector Enterprises (CPSEs) under revival package approved by the Government.

The National Common Minimum Programme (NCMP), inter-alia, states that every effort will be made to modernize and restructure sick public sector companies and revive sick industry. The Government has considered the issue relating to restructuring of CPSEs and also the ways and means for funding the scheme for revival of such CPSEs as well as providing strong and effective top management team for them. In this context, it was felt that there was a need to attract Board level executives capable for turning around sick CPSEs and give them continuity of tenure for the revival package to succeed.

2. The Government has considered this matter and the Competent Authority has decided that in the case of sick/loss making CPSEs for which revival plan has been approved by the Government, the following relaxation would be provided:-

- (i) In case, any Board level incumbent of such CPSE has contributed exceedingly well in the turn around of that sick CPSE, his tenure may be extended till he attains the age of 65 years. Since, the selection process to a board level post is being initiated by Public Enterprises Selection Board (PESB) one year prior to the due date of superannuation of the incumbent, the proposal for extension of tenure beyond the age of superannuation will have to be initiated at least one year prior to the date of superannuation of the incumbent. In case, the balance period of tenure of incumbent is less than one year at the time of approval of revival package by the Government, such proposal for extension of tenure may be initiated immediately after approval of revival package by the Government. The decision on the extension of tenure beyond the normal retirement age will be taken as per the extant procedure for extension of tenure of Board level executives, i.e. joint appraisal by PESB followed by the approval of the competent authority. Further, such extension would be subject to annual review of the performance of the incumbent to be conducted by Secretary of the concerned administrative Ministry.
- (ii) Where fresh appointment of the Chief Executive or any Functional Director is proposed and if the PESB procedure of circulation of vacancy does not ultimately lead to a panel for consideration by the competent authority, then relaxation of cut-off age for applying, to 62 years, with minimum tenure of 3 years, could be considered. In such cases, serving/retired CPSE executives, Government servants and private sector executives could be considered.
- (iii) Chief Executives and Functional Directors of these CPSEs would be considered for a lump-sum incentive up to maximum of Rs.10 lakh out of the profits of the CPSE besides usual pay, allowances and perks attached to the post. The detailed guidelines in this regard would be issued separately.

3. It is re-iterated that the extant guidelines and procedure with regard to the process for selection, appointment and extension of the tenure of the Chief Executives and Functional Directors of CPSEs will continue to be followed except for the relaxations specified in para 2(i) and para 2(ii) above.

4. All the administrative Ministries and Departments concerned are requested to take note of the above decision.

(DPE OM No. 18(11)/2005-GM-GL-88 dated the 24th July, 2007)

21. Procedure to be observed for Board level appointments for CPSEs requiring approval of ACC.

The undersigned is directed to refer to this Department's O.M. of even number dated 25th October, 2007 on the subject mentioned above wherein the following guidelines on vigilance clearance for entrusting additional charge arrangements in respect of Board level posts in CPSEs had been stipulated.

- (a) for additional charge of Board level positions in PSUs, for an initial period of up to three months, clearance from the CVO would suffice;
- (b) for continuation of the additional charge arrangements, beyond three months, clearance from CVC would be required; and
- (c) fresh CVC clearance would be required, if the arrangements continue, beyond one year.
- (d) In the cases where additional charge is assigned to either a functionary of another PSU, or an officer from a Ministry, clearance from the CVO would not suffice, and CVC clearance would be necessary.

2. The issue relating to seeking vigilance clearance in favour of Board level functionaries who are proposed to be entrusted with some additional charge (s) within the same organization or in another organization under the same administrative Ministry/Department has been further considered by the Government in consultation with Central Vigilance Commission and it has been decided that henceforth in such cases clearance from the Commission is not required to be sought for the purpose of additional charge arrangements in respect of Board level functionaries in PSUs, unless the Department concerned has material in their possession on the basis of which it has reason to believe that vigilance status has changed since the incumbent was last cleared for Board level appointment. The clearance from CVO would continue to be required as stipulated in the foregoing paragraph.

3. The earlier instructions, as mentioned in para 1 above would continue to apply in cases where the Functional Director of a CPSE or an officer from the Ministry is proposed to be given additional charge of MD/CMD of the CPSEs.

4. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance, Receipt of this O.M. may please be acknowledged.

[DPE OM No. 18(23)/2005-GM-GL-87 Dated 25th October, 2007]

22 Procedure to be observed for Board level appointments for CPSEs requiring approval of ACC.

The undersigned is directed to refer to this Department's O.M. of even number dated 25th October, 2007 on the subject mentioned above wherein the following guidelines on vigilance clearance for entrusting additional charge arrangements in respect of Board level posts in CPSEs had been stipulated.

- (a) for additional charge of Board level positions in PSUs, for an initial period of up to three months, clearance from the CVO would suffice;
- (b) for continuation of the additional charge arrangements, beyond three months, clearance from CVC would be required; and
- (c) fresh CVC clearance would be required, if the arrangements continue, beyond one year.

- (d) In the cases where additional charge is assigned to either a functionary of another PSU, or an officer from a Ministry, clearance from the CVO would not suffice, and CVC clearance would be necessary.

2. The issue relating to seeking vigilance clearance in favour of Board level functionaries who are proposed to be entrusted with some additional charge (s) within the same organization or in another organization under the same administrative Ministry/Department has been further considered by the Government in consultation with Central Vigilance Commission and it has been decided that henceforth in such cases clearance from the Commission is not required to be sought for the purpose of additional charge arrangements in respect of Board level functionaries in PSUs, unless the Department concerned has material in their possession on the basis of which it has reason to believe that vigilance status has changed since the incumbent was last cleared for Board level appointment. The clearance from CVO would continue to be required as stipulated in the foregoing paragraph.

3. The earlier instructions, as mentioned in para 1 above would continue to apply in cases where the Functional Director of a CPSE or an officer from the Ministry is proposed to be given additional charge of MD/ CMD of the CPSEs.

4. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance, Receipt of this O.M. may please be acknowledged.

[DPE OM No. 18(23)/2005-GM Dated 16th October, 2008]

23. Creation of posts at Senior Management level in Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer to the subject mentioned above and to state that the Government has reviewed the procedure with regard to creation of posts at Senior Management level in the CPSEs in the context of revision of pay packages of CPSEs executives on the basis of recommendations of 2nd Pay Revision Committee.

2. It has been decided that CPSEs (including Navratna and Miniratna CPSEs) will not create any posts at the level of E7 and E9 without the approval of the concerned Administrative Ministry/Department who will have to satisfy themselves about the urgent and unavoidable need for creation of such posts. In the case of creation of Board equivalent posts who incumbents are not members of the Board, the procedure laid down for creation of board level posts will be applicable for all CPSEs including Navratna and Miniratna CPSEs.

3. The above instructions will come into force with immediate effect and until further orders. Managements of CPSEs may be directed to follow the above instructions.

[DPE OM No. 16(11)/2008-GM Dated 4th November, 2008]

24. Incentive Scheme for Chief Executives/Functional Directors of sick CPSEs for which Government have approved the revival package.

The National Common Minimum Programme (NCMP), inter-alia, states that every effort will be made to modernize and restructure sick public sector companies and revive sick industry. The Government has considered the issue relating to restructuring of CPSEs and also the ways and means for funding the scheme for revival of such CPSEs as well as providing strong and effective top management team for them. In this context, it was felt that there was a need to attract Board level executives capable for turning around sick CPSEs and give them continuity of tenure for the revival package to succeed. In this regard instructions were issued vide O.M. No.18(11)/2005-GM-GL-88 dated 24th July, 2007, which inter alia, provided that Chief Executives and Functional Directors of those CPSEs which are able to achieve the projected targets of the revival plan would be considered for suitable incentive.

2. The Government has considered the above matter and has decided to introduce an incentive scheme for Chief Executives/Functional Directors of sick/loss making CPSEs for which Government has approved the revival package. The details of the incentive scheme are as under:-

- (i) This scheme is applicable only to the whole-time Chief Executives/Functional Directors of sick/loss making CPSEs for which Government has approved the revival package and the CPSEs have timely achieved the projected targets of the revival plan.
- (ii) The whole- time Chief Executive/Functional Directors of the CPSEs referred in this scheme are *jointly* entitled to share the profit of their concerned CPSEs at the rates mentioned below.

S. No.	Schedule of the CPSE	Percentage of profit payable as <i>group incentive to the whole- time Chief Executive and Functional Directors under the proposed scheme.</i>
1	Schedule – A	1%
2	Schedule – B	1.5%
3	Schedule – C	2%
4	Schedule– D & Un-categorized	2.5%

The above share of profit is subject to the conditions stipulated in the succeeding sub paras.

- (iii) The total *group* incentive payable under this scheme to the whole-time Chief Executive/ Functional Directors should not exceed Rs.10 lakh per annum.
- (iv) The total amount of *group* incentive payable to the whole-time Chief Executive/ Functional Directors shall be distributed among them in the following manner.
 - (a) In the case of Schedule ‘A’ and ‘B’ CPSEs, the total amount of incentive available for distribution will be distributed among the whole-time Chief Executive and all whole-time Functional Directors in the ratio of 4 : (3 X Number of Functional Directors) subject to the ceiling mentioned in the Table given below.
 - (b) In the case of Schedule ‘C’ and ‘D’ and ‘Un-categorized’ CPSEs, the total amount of incentive available for distribution will be distributed among the whole-time Chief Executive and all whole-time Functional Directors in the ratio of 7 : (5 X Number of Functional Directors) subject to a ceiling mentioned in the Table given below.

S. No.	Schedule of the CPSE	Maximum Incentive payable to Whole-time Chief Executive (Rs. per annum)	Maximum Incentive payable to Whole-time Functional Directors (Rs. per annum per person)
1	Schedule – A	2,40,000	1,80,000
2	Schedule - B	2,40,000	1,80,000
3	Schedule - C	2,10,000	1,50,000
4	Schedule – D & Un-categorized	2,10,000	1,50,000

If any whole-time Chief Executive/Functional Director was employed for a part of the Financial Year, he/she shall be paid incentive on proportionate basis.

- (v) The term ‘Profit’ for the purpose of this scheme means Profit before Tax before prior period

adjustments and extraordinary items like waivers/ concessions/subsidy/write-offs/grants received from Government/ banks/Financial Institutions. However, subsidy if any received by the CPSE as a part of the scheme administered by the Government will be considered for computing the profit.

- (vi) The incentive for a particular year will be computed based on the audited accounts of that year and the same will be paid by the Company as a lump sum in the succeeding year. For example the incentive for the year 2007-08 will be computed on the basis of the audited accounts of the year 2007-08 and the same will be paid during 2008-09.
- (vii) The Scheme is effective from the year 2007-08. The incentive under this scheme should be paid only after the same is approved by the Remuneration Committee and also by the Board of Directors.
- (viii) The Scheme will be valid for 5 years and will be reviewed thereafter.

3. The proposals in this regard, after approval of the Board, may be submitted by the CPSEs to their concerned administrative Ministry/Department for approval. The concerned administrative Ministry/Department, with the concurrence of its FA, may take the final decision in this regard.

4. The Government has since approved the implementation of Performance-Related Pay (PRP) as part of the salary revision of CPSE executives including Chief Executive and Functional Directors of profit making CPSEs vide DPE O.M. No.2(70)/08-DPE (WC)-GL-XVI/08 dated 26.11.2008. The Chief Executives and Functional Directors of those sick and loss making CPSEs referred in para 2 of this O.M. have the option to opt for any one of the two schemes, i.e., either the PRP approved by the Government or the proposed incentive scheme in respect of sick and loss making CPSEs.

(DPE OM No. 18(11)/2005-GM-GL dated 17th December 2008)

25. Assignment of additional charge of the posts of CMD/MD/Functional Directors of subsidiary Companies.

The undersigned is directed to refer to the Department of Personnel & Training (DOPT) O.M. No. 26(3)EO/2004(ACC) dated 17.8.2005 wherein detailed guidelines regarding procedure to be observed for Board level appointments were issued and were reiterated vide this Department's O.M. of even number dated 27th September, 2005.

2. The Appointments Committee of the Cabinet (ACC) has further directed to adhere to the following guidelines in this regard:-

“The power to approve additional charge in the Central Public Sector Undertakings upto a period of three months has been delegated to the Minister-in-charge, and for the next three months, to the MOS (PP) vide this Department's OM No.26(3)EO/2004(ACC) dated 17.8.2005, subject to the condition that the person should be clear from the vigilance angle. The power to approve additional charge beyond six months vests with the ACC.

The ACC has also approved that in the case of subsidiary CPSEs, the additional charge of the post of MD/CMD should be assigned to the senior most Functional Director of that subsidiary company having vigilance clearance. In case no such Functional Director is in position in the subsidiary CPSE, the additional charge of the post of MD/CMD of the subsidiary company could be automatically assigned to the CMD/ Functional Director of the holding company who is the nominee Director of the holding company on the Board of subsidiary company. However, this assignment should not result in contravention of Section 316 of the Companies Act, 1956.”

3. All the administrative Ministries/Departments are requested to take note of the above guidelines for strict compliance. Receipt of this O.M. may please be acknowledged.

(DPE OM No. 18(23)/2005-GM Dated, the 16th April, 2009)

26. Procedure for selection to Board level posts in Central Public Sector Enterprises (CPSEs)-obtaining CVC clearance regarding

The undersigned is directed to refer Ministry of Personnel, PG & Pensions, Department of Personnel & Training O.M. No. 7(12)EO/04(ACC) dated 30th July, 1999 laying down the guidelines for processing cases of Board level appointments in CPSEs.

2. The Competent Authority has since approved a revised procedure for obtaining CVC clearance in favour of candidates recommended by the Public Enterprises Selection Board (PESB) for Board level appointments in Public Sector Undertakings (PSUs) so as to reduce delays. The revised procedure would be as given below:

- (i) The screened in candidates, called for the interview by the PESB, would submit personal details and details about their postings-during the preceding 10 years, to the PESB (Prescribed format enclosed at Annex).
- (ii) PESB would send the personal details [as in (1) above], of the selected candidates, to the CVC, alongwith its recommendations.
- (iii) CVC would then collect the requisite details directly from CVOs of the organization where the selected candidate has worked in the preceding 10years period.
- (iv) Based on reports from CVOs concerned and other agencies the CVC would grant its clearance or otherwise within 15 days of the receipt of PESB recommendation as prescribed vide this office O.M. No. 27(12)EO/94(ACC) dated 30.7.1999.

3. The Public Enterprises Selection Board and Central Vigilance Commission are requested take note of the above decision and take necessary steps to implement the revised procedure with immediate effect.

ANNEXURE

**PARTICULARS OF THE OFFICERS FOR WHOM VIGILANCE
COMMENTS/CLEARANCE IS BEING SOUGHT**

1. Name of the Officer(in full) :
2. Father's Name :
3. Date of Birth :
4. Date of Retirement :
5. Date of Entry into Service :
6. Service to which the officer belongs including batch/year cadre-etc. wherever applicable :
7. Positions held :
(during the ten preceding years)

S.No.	Organization (Name in full)	Designation & Administrative/nodal Ministry/ Deptt. Place of posting Concerned (in case of officers of PSUs etc.)	From	To
<p>DATE: _____</p> <p style="text-align: right;">(Name and Signature)</p>				

[DPE OM No. 18(26)/2004-GM Dated 20th July 2009]

27. Extension/non-extension of the term of appointment of Chief Executives/Functional Directors beyond the term of appointment approved by the Appointments Committee of the Cabinet (ACC).

The undersigned is directed to refer to the Cabinet Secretariat's instructions dated 10.12.1986 (copy enclosed) on the subject mentioned above laying down the procedure for processing the proposals in this regard.

2. The competent authority has further approved that the administrative Ministry/Department should simultaneously process for CVC clearance and Joint Appraisal by PESB so that CVC comments are available by the Ministry/Department thereby, avoiding delays on account of non-availability of vigilance clearance.

3. All administrative Ministries/Departments are requested take note of the above decision and to take immediate steps to comply with the directions of ACC.

Copy to the Cabinet Secretary's D.O. No. 27(18)/EO/86-ACC dated 10.12.1986

According to the existing procedure, proposals for appointments to the posts of Chief Executives/Functional Directors in public sector enterprises, on the basis of the recommendations of the Public enterprises Selection Board, are submitted to the Appointments Committee of the Cabinet, for its consideration, as per the provisions contained in the Government of India (Transaction of Business) Rules, 1961, as amended, from time to time. Similarly, proposals emanating from the Ministries/Departments for further extension of the tenure, based on a performance appraisal during the tenure approved by the Appointments committee of the Cabinet, are also submitted to the Committee. So far, cases wherein the Ministries decide not to seek further extension of the term of appointment of a Chief Executive/Functional Director beyond the term of appointment approved by the Committee were not referred to the Committee for a decision.

2. It has come to the notice of the Prime Minister, in a recent case, that the term of a competent Chief Executive of a Public Sector Enterprise was not extended by the Administrative Ministry. The matter also did not come up before the Appointments Committee of the Cabinet, as only extension of the term of appointment is presently being submitted to the Committee.

3. In order to ensure that the cases of competent executives are not disposed off by the Administrative Ministries at the end of their term without further consultation either with the PESB or ACC, it has been decided that in future, in cases where the term of Chief Executive/Director is not proposed to be extended beyond the term already approved by the ACC (except on superannuation of the officer), the Administra-

tive Ministries/Departments should carry out, in consultation with the PESB, an appraisal of the past performance of the Chief Executive/Director four months in advance of the end of his term. After such appraisal, these cases would fall broadly into the following three categories:

- (i) Cases in which on the basis of the positive appraisal, the Administrative Ministry and PESB decide to seek extension of his term and send a proposal to E.O. for approval of ACC;
- (ii) Cases in which a change in the incumbency of Chief Executive/Director is considered necessary on account of:
 - (a) the dismal performance of the Chief Executive/Director as well as of the Company necessitating a change in the leadership. In such cases, the Administrative Ministry after consulting PESB will come to ACC through E.O. for appointment of the new Chief Executive/Director.
 - (b) Cases in which the performance of the Chief Executive/Director is considered satisfactory/positive, but due to certain other reasons, the Administrative Ministry and/or PESB desires to have a change. In all such cases, the Administrative Ministry would first consult the ACC invariably before terminating the appointment.

Such cases, which were not being referred to ACC witherto by the Administrative Ministries, would now require the approval of the ACC before termination of appointment as per directions of the Prime Minister.

[DPE OM No. 18(23)/98-GM Dated 15th September, 2009]

28. Time limit for Board level appointees to join posts in Central Public Sector Enterprises (CPEs)

The undersigned is directed to refer to this Department's O.M. of even number dated 20.10.2005 and to state that the Government has since reviewed the matter and the following guidelines are issued for debarment of officers who decline to join after selection by Public Enterprises Selection Board (PESB).

- (i) The PESB while inviting the applications for filling up of the post should clearly mention in the vacancy circular that a candidate should submit his/her willingness for the post at the time of interview itself. If any candidate does not initially give his/her willingness, he/she may not be interviewed.
- (ii) If any of the candidates who appeared for the interview and is selected by the PESB, give his/her unwillingness after the interview is held, but before the appointment is processed, would be debarred for a period of two years from the date of interview from being considered for a Board level post in any Public Sector Enterprises other than the one to which the candidate belongs.
- (iii) If any candidate gives his/her unwillingness after the issue of offer of appointment, he/she would be debarred for a period of two years from the date of offer of appointment from being considered for a Board level post in any Public Sector Enterprises other than the one to which the candidate belongs.
- (iv) In the above cases, no request for relaxation or otherwise would be entertained.
- (v) The list of such debarred candidates would be maintained by the concerned administrative Ministry/Department and the PESB.

2. All the administrative Ministries/Departments are requested to take note of the above decision and also bring it to the notice of the CPSEs under their administrative control.

[DPE OM No. 18(21)/98-GM Dated 24th January 2011]

29. Professionalisation of Boards of Central Public Sector Enterprises (CPSEs) - recommendations of Department-related Parliamentary Standing Committee on Industry reg.

The undersigned is directed to state that in its 221st Report on Action Taken Report on its 216th Report of the Department-related Parliamentary Standing Committee on Industry had made further recommendation on the subject mentioned above, which is reproduced as under.

"The Committee had taken into account the fact that the Government had laid down certain criteria for the appointment of non-official Directors on the Boards of CPSEs. But what the Committee would like to reiterate is that if persons from the categories of Scheduled Castes, Scheduled Tribes, and OBC and women categories come forward with the above mentioned criteria, they should be given preference. There by the Committee wants to re-emphasis the need for representation of these categories in the Board of CPSEs."

3. The above recommendation was considered by the Department of Public Enterprises (DEP) and it has been decided to communicate the concern expressed by the Committee to all the administrative Ministries/Departments, since the proposals for appointment of non-official Directors on the Boards of CPSEs are initiated by the administrative Ministries/Departments.

4. All Administrative Ministries/Departments are requested to take note of the above recommendation of the Department-related Parliamentary Standing Committee on Industry for further necessary action in this regard.

[DPE OM No. 2(18)/2011-GM Dated 18th April 2011]

30. Incentive scheme for Chief Executives and Functional Directors in sick/loss making Central Public Sector Enterprises (CPSEs) under revival package approved by the Government.

The undersigned is directed to refer to this Department's O.M. of even number dated 24th July, 2007 and 17th December, 2008 (copies enclosed) on the subject mentioned above.

2. The Government had issued the above office orders in order to attract suitable Board level executives capable of turning around sick CPSEs by providing for extension of tenure beyond the age of superannuation till 65 years and a lumpsum incentive upto maximum of Rs. 10 lakhs per annum to such Board level incumbents of CPSEs including, CMD who have contributed to the turnaround of the concerned sick CPSE.

3. It has been brought to the notice of this Department that in many cases the Board level incumbents, including CMD, who have played in effective role in turning around the sick CPSEs have not been given the benefits of above schemes. Such a position defeats the basic objectives behind the introduction of above schemes and also adversely impacts the achievement of turnaround targets included in revival package of the concerned CPSEs.

4. It has therefore, been decided to impress upon the concerned administrative Ministries/Departments to implement the benefits of schemes as envisaged *vide* above referred DPE O.M. dated 24th July, 2007 and 17th December, 2008 in turnaround CPSEs in letter and spirit which would be consistent with the Government policy for strengthening and revival of sick CPSEs.

5. All administrative Ministry/Departments are requests to take necessary action, as applicable, in terms of provisions contained in above referred DPE O.M. dated 24th July, 2007 and 17th December, 2008.

[DPE OM No. 18(11)/2005-GM Dated 07th August 2012]

(i) Job description of Board level points

1 Prescription of qualification/experience for various Board level positions in PSUs.

A reference is invited to the Ministry of Personnel, PG & Pensions, Department of Personnel & Training O.M. No. 44011/8/2006-Estt. (B) dated 22nd April, 2008 on the subject mentioned above.

2. The issue of prescription of qualification/experience for various Board level positions in PSUs and laying down norms to infuse more transparency and objectivity in the PESB selections have further been considered by the Government and it has been decided that the Administrative Ministry concerned may, in consultation with the different PSUs under their control. Once the recruitment norms are finalized, such norms should have validity for a minimum period of 5 years. The finalised eligibility criteria should be open for the information of the general public.

3. In case of any disagreement or dispute between the PESB and the Administrative Ministry in relation to finalization of eligibility conditions, the matter should be referred to ACC for final orders.

4. All administrative Ministries/Departments are again requested to take note of the above decision for necessary action.

[DPE OM No. 18(21)/2005-GM Dated 18th September, 2008]

2 Prescription of qualification/experience for various Board level positions in PSUs.

A reference is invited to the Ministry of Personnel, PG & Pensions, Department of Personnel & Training O.M. No. 44011/8/2006-Estt. (B) dated 2nd February, 2009 on the subject mentioned above (copy enclosed for ready reference).

2. As intimated by DOPT vide their aforementioned O.M., the appointments committee of cabinet (AAC) has directed that all Ministries should review/update/formulate recruitment norms and qualification for various Board level posts in CpSEs. In accordance with the directions of AAC, all administrative Ministries/Departments had been requested to initiate action for reviews, updation/finalization of recruitment rules (RR) for Board level positions in PSUs and furnish the status report in this regard to DOPT with a copy to DPE and PESB by 15.4.2009.

3. All administrative Ministries/Departments are again requested to take immediate steps to comply with the directions of ACC and submit the status report in this regard by 15.4.2009.

[DPE OM No. 18(21)/2005-GM Dated 8th April, 2009]

3. Prescription of qualification/experience for various Board level positions in CPSEs.

The undersigned is directed to refer this Department's O.M. of even number dated 8th April, 2009 and Department of Personnel & Training O.M. No. 44011/8/2006-Estt.(B) dated 2nd February, 2009 (Copy enclosed) on the subject mentioned above intimating the direction of ACC that all Ministries should review/update/formulate recruitment norms and qualifications for various Board level posts in CPSEs. In accordance with the directions of ACC, all administrative Ministries/finalization of recruitment rules (RR) for Board level position in PSUs and furnish the status report in this regard to DOPT with a copy to DPE and PESB by 15.4.2009.

2. This Department has so far received the status report from only a few administrative Ministries/Departments. The Department of Personnel & Training have also expressed concern over the lack of action on the part of the administrative Ministries/Departments in this regard.

3. All administrative Ministries/Departments are, therefore, again requested to take immediate steps to comply with the above decision of ACC and take up action for review/updation/formulation of recruitment rules (job description, qualifications and recruitment norms) for various Board level-posts in respect of CPSEs under their administrative control. A status report in this regard may also be furnished to this Department with a copy to PESB and DOPT by 3.7.2009.

[DPE OM No. 18(21)/2005-GM Dated 24th June, 2009]

4. Prescription of qualification/experience for various Board level positions in CPSEs.

The undersigned is directed to refer this Department's O.M. of even number dated 18th September, 2008, ;8th April, 2009 and 24th June, 2009 (Copies enclosed) on the subject mentioned above.

2. The above matter was considered by Committee of Secretaries (COS) in their meeting held on 29th October, 2010. the COS observed that "*the Ministries are yet to update/frame the qualifications/experience/job description in consultation with DPE/PESB. In case of disagreement, the matter is to be referred to DoPT. It was mentioned that as per present procedure, only when the vacancy is intimated by the concerned Ministry to the PESB, PESB initiates the process to examine the qualification and eligibility norms of the post and decide at that stage in consultation with CPSE concerned whether any change is required in eligibility criteria. It was felt that the delay in filling up the vacant post due to this process needs to be avoided. It was thus decided that the DPE and PESB may again write to all Ministries/Departments to complete this process within a period of six months. Once the qualifications/experience/job descriptions for various posts are finalized by the Ministries/Departments, the same would be applicable for a period of five years, thereby dispensing with the need to review them each time a vacancy arises. PESB would also take steps to upload qualifications/experience/job descriptions for various posts on their website for purpose of information.*

3. All administrative Ministries/Departments are, therefore, again requested to take immediate steps to comply with the above decision of COS and take up action for review/updation/formulation of recruitment rules (job description, qualifications and recruitment norms) for various Board level-posts in respect of CPSEs under their administrative control. A status report in this regard may also be furnished to this Department with a copy to PESB and DOPT at the earliest.

[DPE OM No. 18(23)/2005-GM Dated 24th February, 2010]

(j) Non-official Directors

1 Vigilance clearance in respect of non-official Directors of Public Sector Enterprises.

The existing stipulations and procedures relating to the requirement of vigilance clearance for non-official part-time Directors to be appointed on the Boards of public sector enterprises have been causing practical problems in the induction of professionals of high repute on such Boards.

2. In view of the above, it has now been decided that it would no longer be necessary to obtain the vigilance clearance and integrity certificate as currently prescribed. Instead the nominees would henceforth be required to furnish a declaration in the prescribed format, which is to the effect that they do not suffer from any of the disqualifications in terms of Section 274 or to other relevant provisions of the Companies Act for holding a Directorship, and that they are not facing any charge of, nor have they ever been convicted for, any act of moral turpitude or an economic offence.

3. All the administrative Ministries/Departments are requested to take note of the above decisions of the Government and follow the revised procedure with immediate effect.

DECLARATION

(For Non-official part-time Directors on the Boards of Public Sector Enterprises)

I son of and resident of hereby certify that I have not been disqualified to act as a Director under Section 274 or any other relevant sections of the Companies Act, 1956.

2. I also certify that I am not facing any charge of, nor have ever been convicted for, any act of moral turpitude or economic offence.

Signature.....

Name.....

Designation/Occupation.....

Dated the day of 19

Witness:- 1)

2)

(DPE O.M. No.18 (3)/97-GM dated 10th October, 1997)

2. Induction of non-official (independent) Directors on the Boards of Public Sector Enterprises (PSEs)

The undersigned is directed to refer to this Department's O.M. No. 18(6)/91-GM dated 16.3.1992 and O.M. No. 18(6)/2000-GM dated 26.11.2001 on the subject mentioned above wherein it was, inter alia, provided that at least one-third of the Directors on the Board of a PSE should be non-officials and in the cases of listed companies headed by executive Chairman at least half of the Directors should be independent Directors.

This Department has also issued guidelines containing the criteria for appointment of non-official independent Directors vide O.M. No. 18(10)/2003-GM dated 11.3.2004 as amended on 10.11.2005.

2. The Secretary, Department of Public Enterprises in his D.O. letters of even number dated 1.12.2004 and 16.12.2004 emphasized the need for induction of adequate number of independent Directors on the Boards of all PSEs. It was also mentioned therein that proposals, complete in all respects, should be sent to DPE so that panel of independent Directors may be prepared for each PSE. In the D.O. Letter No. 18(8)/2005-GM dated November 11, 2005 addressed to Secretaries of different Ministries, the need for compliance with the SEBI guidelines appointment of independent Directors in listed companies by 1.1.2006 was emphasized.

3. The Search Committee, which selects independent Directors for Navratna and Miniratna PSEs, has desired that immediate steps may be taken to fill up the vacancies of independent Directors. The Committee has further desired that proposals for selection should be placed before it at least six months in advance of the date of occurrence of vacancies.

4. In case there is any difficulty in identifying eligible persons for consideration, names can be drawn from the data bank maintained by this Department. The data bank is available on DPE website: www.dpe.nic.in.

5. As this issue has gained considered importance in the recent past and a number of questions are often raised in the Parliament as well, it is requested that immediate action may be taken to fill up the posts of independent Directors. The position indicating the number of vacancies of independent Directors in each PSE and the steps taken for filling up the vacancies may kindly be intimated to this Department at your earliest convenience.

(DPE O.M. No. 9(32)/2004-GM-GL-76 dated 9th December, 2005)

3. Appointment of non-official part-time Directors on the Board of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to the subject mentioned above and to state that Appointments Committee of Cabinet (ACC) while considering a proposal for appointment of non-official Director on the Board of a CPSE observed as under.

- (i) The presence of two persons with similar backgrounds on the Board of a CPSE, being superfluous, reflects on poor scrutiny, on the part of the sponsoring authority, and also in the selection/screening procedures.
- (ii) All future proposals for appointment of non-official part-time Directors on the Boards of CPSEs should be accompanied with a brief background/details of the existing non-official Directors on the Board.

2. The above directions of the ACC may be noted for compliance and future guidance.

(DPE O.M. No. 9(32)/2004-GM dated 28th December, 2006)

4. Professionalisation of Boards of Central Public Sector Enterprises (CPSEs) - recommendations of Department-related Parliamentary Standing Committee on Industry reg.

The undersigned is directed to state that in its 221st Report on Action Taken Report on its 216th Report of the Department-related Parliamentary Standing Committee on Industry had made further recommendation on the subject mentioned above, which is reproduced as under.

"The Committee had taken into account the fact that the Government had laid down certain criteria for the appointment of non-official Directors on the Boards of CPSEs. But what the Committee would like to reiterate is that if persons from the categories of Scheduled Castes, Scheduled Tribes, and OBC and women categories come forward with the above mentioned criteria, they should be given preference. There by the Committee wants to re-emphasis the need for representation of these categories in the Board of CPSEs."

3. The above recommendation was considered by the Department of Public Enterprises (DEP) and it has been decided to communicate the concern expressed by the Committee to all the administrative Ministries/Departments, since the proposals for appointment of non-official Directors on the Boards of CPSEs are initiated by the administrative Ministries/Departments.

4. All Administrative Ministries/Departments are requested to take note of the above recommendation of the Department-related Parliamentary Standing Committee on Industry for further necessary action in this regard.

[DPE OM No. 2(15)/2011-GM Dated 18th April, 2011]

5. Criteria for the persons who can be considered for appointment as non-official Directors on the Boards of CPSEs.

The undersigned is directed to state that the Department of Personnel & Training (DOPT) vide its O.M. No. 13 (15)EO/2007/(ACC) dated 1.9.2010 while communicating the decision of ACC regarding eligibility criteria as well as the process of selection and appointment of non-official Directors on the Boards of CPSEs, has *inter-alia* intimated as under.

"Serving CEOs and Directors of private companies listed on the Stock Exchanges may also be considered for appointment as part-time non-official Directors (NoDs) on the Boards of CPSEs, if suitable former CEOs or professionals below Board level Enterprises and the administrative Ministry/Department shall ensure that there is no conflict of interest on appointment of such serving CEOs as part-time NoDs on the Board of the concerned PSU. Even a subsequent situation of conflict should be brought to the notice of the CPSE and the NoD concerned should immediately resign from the Board."

2. The non-official Directors are appointed on the Boards of CPSEs by the concerned administrative Ministries/Departments after ensuring that there would be no conflict of interest on such appointment.

3. All administrative Ministries/Departments are requested to ensure strict compliance with the above direction of ACC and bring the same to the notice of all non-official Directors appointed on the Boards of CPSEs under their respective administrative jurisdiction for their information and compliance.

[DPE OM No. 9(32)/2004-GM Dated 24th August 2012]

6 Role & Responsibilities of non-official Directors on the Boards of Central Public Sector Enterprises (CPSEs).

The undersigned is directed to state that the appointment of non-official Directors on the Boards of CPSEs has been one of the major initiatives undertaken by the Government in the context of policy for Professionalization of Boards of CPSEs. The presence of non-official Directors on the Board is considered important for sound Corporate Governance as their significant and constructive role is essential for smooth and

transparent functioning of the company as well as its Board. In the above background and the fact that defining the roles and responsibilities of Directors leads to a transparent environment of decision making and fulfilling their assigned responsibilities in an effective and efficient manner by the non-official Directors would greatly contribute to protecting and building stakeholders' confidence, this Department has taken the initiative to draft Model Role & Responsibilities for non-official Directors on the Boards of CPSEs.

2. The above task was assigned to the Institute of Chartered Accountants of India (ICAI) and in a consultative process involving obtaining views of relevant stakeholders, the Model Role & Responsibilities for non-official Directors on the Boards of CPSEs has been finalized and a copy of the same is enclosed.

3. The Model Role & Responsibilities for non-official Directors would be reviewed in the light of experiences gained and brought in line with the relevant provisions of Companies Bill, 2011 as and when it is passed by the Parliament.

4. All the administrative Ministries/Departments are requested to bring the contents of this O.M. to the notice of CPSEs under their administrative control and also non-official Directors appointed on the Boards of such CPSEs for their information and compliance with intimation to this Department.

MODEL ROLE AND RESPONSIBILITIES OF NON-OFFICIAL DIRECTORS OF CENTRAL PUBLIC SECTOR ENTERPRISES (CPSEs)

I. ROLE AND FUNCTIONS:

The non-official directors shall:

1. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments, Corporate Social Responsibility, Sustainable Development and standards of conduct;

Being totally independent of the company or its management, provide a candid view of the faults or shortcomings of the company's plans and suggest measures for improvement.
2. bring an objective view in the evaluation of the performance of board and management;
3. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. facilitate quality standards for products and services of the company that should meet the national/international standards;
5. satisfy themselves on the integrity of financial information and that the financial controls and the systems of risk management are robust and defensible;
6. add value to the decision making process of the Board of Directors by giving positive inputs and constructive criticism, wherever required;
7. safeguard the interests of all stakeholders, particularly the minority shareholders;
8. **SEPARATE MEETINGS:**
 - (1) The non-official directors of the company shall hold at least one meeting in a year, without the attendance of Functional and Government directors and members of management;

- (2) All the non-official directors of the company shall strive to be present at such meeting;
- (3) The meeting shall:
 - (a) review the performance of Functional and Government directors and the Board as a whole;
 - (b) review the performance of the Chairperson of the company, taking into account the views of all the directors;
 - (c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.
- 9. balance the conflicting interest of the stakeholders;
- 10. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest;
- 11. facilitate sustainable development of the company;
- 12. encourage in adopting green rechnologies and resource conservation practices by the company;
- 13. help in determining appropriate levels of remuneration as per Chapter 5 of the Guidelines on Corporate Governance for CPSEs 2010;

II. DUTIES:

The non-official directors shall:

- 1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- 2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- 3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- 4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- 5. strive to attend the general meetings of the company;
- 6. where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- 7. keep themselves well informed about the company and the external environment in which it operates;

8. not use confidential information acquired in the course of their service as Non-official Directors for their personal advantage or for the advantage of any other entity;
9. keep the Board informed in an appropriate and timely manner any information in the knowledge of the member which is related to the decision making or is otherwise critical for the company;
10. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
11. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
12. furnish a report to the board about their role & contribution during the year. This will inculcate accountability in their working & will enhance their contributions;
13. report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
14. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
15. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price. sensitive information, unless such disclosure is expressly approved by the Board or required by law.
16. ascertain and ensure that the company has an adequate and functional vigil mechanism and ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
17. be acquainted with the applicable laws and understand that the Liability may arise, where a company violates any law and shall get a list of applicable laws to the company and understand the penal provisions for contraventions under those laws.
18. not be a member on more than ten Committees/sub-Committees of the Boards and shall not act as Chairman of more than five Committees/Sub-Committees of the boards across Boards of CPSEs companies in which he/she is a Director. Furthermore, each non-official Director should inform the company about the Committee/Sub-Committee position he/she occupies in other companies and notify change(s) as and when they take place.

[DPE OM No. 16(4)/2012-GM Dated 28th December 2012]

7 Eligibility criteria for persons to be considered for appointment as non-official Directors on the Boards of CPSEs.

The undersigned is directed to state that the Appointments Committee of the Cabinet (ACC) has approved the proposal for laying down a limit of not more than 10 private companies (with the existing ceiling of not more than 2 for CPSEs remaining unchanged), a person can hold directorship for being considered for appointment as non-official Director in a CPSE.

2. A copy of the revised eligibility criteria for persons who can be considered for appointment as non-official Directors on the Boards of CPSEs is enclosed. The enclosed criteria may be referred to while preparing the panel of names to be furnished to DPE for appointment of non-official Directors on the Boards of CPSEs and processing the recommendations of Search Committee for obtaining the approval of competent authority.

Criteria for selection/appointment of non-official Director on the Boards of CPSEs as laid down by the Government

(A) Criteria of Experience

- (i) Retired Government officials with a minimum of 10 years experience at Joint Secretary level or above.
- (ii) Persons who have retired as CMD/CEOs. of CPSEs and Functional Directors of the Schedule 'A' CPSEs . The ex-Chief Executives are ex-Functional Directors of the CPSEs will not be considered for appointment as non-official Director on the Board of the CPSE from which they retire. Serving Chief Executives/Directors of CPSEs will not be eligible to be considered for appointment as non-official Director on the Boards of any CPSEs.
- (iii) Academicians/Director of Institutes/Heads of Department and Professors having more than 10 years teaching or research experience in the relevant domain e.g. management, finance, marketing, technology, human resources, or law.
- (iv) Processionals of repute having more than 15 years of relevant domain experience in fields relevant to the company's area of operation.
- (v) Former CEOs of private companies if the company is (a) listed on the Stock Exchanges or (b) unlisted but profit making and having an annual turnover of at least Rs. 250 crore.
- (vi) Persons of eminence with proven track record from Industry, Business or Agriculture or Management.
- (vii) Serving CEOs and Directors of private companies listed on the Stock Exchanges may also be considered for appointment as part-time non-official Directors on the Boards of CPSEs in exceptional circumstances.

(B) Criteria of Educational Qualification

Minimum graduate degree from a recognized university.

(C) Criteria of Age

The age band should be between 45-65 years (minimum/maximum limit) This could, however be relaxed for eminent professionals, for reasons to be recorded, being limited to 70 years.

(D) Reappointment

The non-official Directors, will not be re-appointed in the same CPSE after completing a maximum of two tenures, each tenure being for a period of three years.

(E) Appointment in number of CPSEs at the same time

One person will not be appointed as non-official Director on the Boards of more than three CPSEs at the same time.

(F) Directorship in private companies

A person being considered for appointment as non-official Director on the Board of CPSEs should not hold directorship in more than 10 private companies.

[DPE OM No. 9(15)/2012-GM Dated 31st July 2013]

(k) Deputation / Lien

1. Policy for retention of lien on appointments below the board level in the case of individuals selected and appointed to board level positions in the public sector.

The undersigned is directed to say that the question of retention of lien on posts below the board level in the case of individuals selected and appointed to board level positions in the public sector was considered by the Government in the background that there is no uniform policy among the PSEs in this regard. At present, the individual enterprises decide such cases in accordance with their own rules and/or specific requirements. As a result while some PSEs permit retention of lien for periods even beyond 7 years, other PSEs do not permit lien at all.

2. It has now been decided that a uniform policy should be followed by all the PSEs in regard to retention of lien of their employees when selected and appointed to board level posts in the same PSE or in any other Central PSE. Accordingly, the public sector enterprises should permit retention of lien for a period not exceeding three* years to their employees holding posts below board level when they are appointed to posts at the board level within the same PSE or in any other Central PSE. The lien will automatically stand terminated at the conclusion of the three* year period. This decision will have prospective effect only.

3. To ensure that all PSEs follow this policy uniformly, it is necessary that the concerned administrative Ministry/Department issues appropriate directives to PSEs under the relevant clauses of the Articles of Association or the relevant provisions of the Acts creating the statutory Corporation, as the case may be.

4. All the Administrative Ministries/Departments are, therefore, requested to issue Presidential Directives as per draft enclosed (annexure) to all the PSEs under their control to give effect to the above mentioned policy regarding retention of lien. A copy of the directive issued may be sent to DPE.

ANNEXURE

Draft Directive to be issued by the administrative Ministries/ Departments to the Central Public Sector Enterprises under their control regarding retention of lien.

At present there is no uniformity among the public sector enterprises in regard to retention of lien of their employees below board level when they are selected and appointed to posts at the board level. The question of retention of lien is presently decided by the respective PSEs in accordance with their own rules and/or requirements. The Government has, therefore, considered the question whether a uniform policy should be followed by all PSEs in the matter of retention of lien on the post below the board level when an employee of the PSE is selected and appointed to a board level post in the same enterprise or in any other Central PSE and, if so, the period for which such lien should be retained.

2. In exercise of the powers conferred by Article of Articles of Association of/Section*of the Act setting up (name of the PSE), the President is pleased to direct that the (Name of PSE) should permit retention of lien for a period not exceeding 3 years to its employees holding posts below the board level when they are appointed to posts at the board level within the same PSE or in any other Central PSE.

(DPE OM No.23(9)/93-GM dated 31st January, 1994)

2. Deputation abroad of officials of the Public Sector Undertakings (PSUs)—Instructions Regarding

In accordance with the existing instructions, the Central Government officials while on tour abroad are entitled to daily allowance for journeys on duty in various countries as per the rates fixed from time to time by

the Ministry of External Affairs. Normally, accommodation for such officials is arranged in approved hotels by the Embassy/High Commission concerned in the country of visit; such facility is not available to officials of PSUs. Actual expenditure on room rent is reimbursed to MEA by the concerned ministry from their approved foreign travel budget in accordance with the normal procedure laid down for the purpose. In respect of daily allowance which covers food etc., no accounts are required to be rendered by the officials.

2. The officials of the public sector undertakings are allowed daily allowance in accordance with the rates and guidelines laid down by the Reserve Bank of India from time to time applicable to all persons except Government servants. This consolidated amount is to cover daily allowance, hotel accommodation and other contingent expenditures. No arrangement for accommodation is being made by the Embassies for PSU employees.

3. The question of bringing about economy in expenditure on foreign travel of the officers of the Public Sector Undertakings has been under consideration of the Government f/r some time past.

4. It has now been decided that the consolidated amount allowed by RBI guidelines, would cover room rent, taxi charges, entertainment (if any), official telephone calls and other contingent expenditure and daily allowance PSU employees should render accounts on return from tour for all items, other than daily allowance which normally covers food etc. as per MEA rates for each country. Any surplus after calculation of the expenditure incurred (after including daily allowance) for the tour as a whole shall be refunded to the PSUs.

5. The Government nominee Directors in the Boards of Public Sector Enterprises shall be governed by the Government rules and procedures in matters relating to foreign tours (as per Department of Expenditure's OM No. 19045/1/E-IV/93 dated 12.2.93) and rendering of expenditure accounts etc.

6. The above guidelines may kindly be brought to the notice of all PSUs under the administrative control of your Ministry/Department for adoption by the Board of Directors of every PSU.

Reference is invited to the Office Memorandum of even number dated 20th September, 1995 on the above mentioned subject vide which the decision of the Government in respect of the procedures to be followed in the matter of deputation of Public Sector executives abroad, was communicated. In addition to the procedures and the requirements as communicated in the earlier office memorandum, the Government has also decided that the foreign visits of the officers of the Public Sector Enterprises may be monitored by the Board of Management of the respective enterprises. For monitoring such visits of public sector executives, it would thus be necessary that an effective monitoring mechanism be devised by the respective Boards for the foreign visits of the officials of PSUs. Such mechanisms may be as per the respective requirements of the enterprises. Foreign visits reports of executives may also form a regular agenda for information at the Board meetings of the PSUs.

2. The above instruction may kindly be brought to the notice of all the public enterprises under the administrative control of the different Ministries/ Departments for adoption by the Board of Directors of the PSUs. The Ministries may advise the PSUs to frame the monitoring mechanism as per the specific requirements of the enterprises concerned.

[DPE OM No. 2(41)/93-DPE (WC) Dated 20th September, 1995]

3. Deputation of Government Officers to Central Public Enterprises—Review of Policy.

The undersigned is directed to refer to the BPE OM No.5(25)/83-BPE(PESB) dated the 6th March, 1985 on the subject mentioned above and to say that in partial modification of the decisions contained therein, the following decisions have been taken:

- (i) In respect of sick and potentially sick Public Sector Undertakings, the Administrative Secretary

of the Ministry/ Department concerned in consultation with the Chairman Public Enterprises Selection Board (PESB) and with the approval of the Cabinet Secretary, could take a decision at any stage in the process of recruitment to the post of CMD of the PSU, to take a person on deputation from any of the All India/Group 'A' Central Services without insisting on the rule of permanent absorption; and

- (ii) In cases where deputation of AIS/Group 'A' Central Service Officers on a whole time basis is not considered necessary in view of the extremely poor financial state of affairs of the PSU, an appropriate additional charge arrangement could also be recommended/decided upon.

2. The above decisions are brought to be notice of all the administrative Ministries/Departments for information and appropriate action.

(DPE OM No. 18(4)/98-GM-GL-006 dated 19th June, 1998)

4. Policy for retention of lien on appointments below the board level in the case of individuals selected and appointed to board level positions in the Public Sector.

The undersigned is directed to refer to this Department's OM No. 23(9)/93-GM dated 31.1.1994 on the subject.

2. In modification of the above, the Government has decided that the maximum period for which retention of lien to be permitted in the case of below board level employees of Public Sector Enterprises on their selection and appointment to board level posts in the same or any other Central Public Enterprises will be 5 years.

3. All the Administrative Ministries/Departments are, therefore, requested to advise the PSEs under their administrative control to comply with the above decision of the Government.

(DPE OM No. 23/19/98/GL-014/DPE (GM) dated 13th January, 1999)

5. Deputation of Government Officers to posts in public sector undertakings – Review of Policy.

The undersigned is directed to refer to this Department's O.M. No. 5(25)/83-BPE(PESB) dated 6.3.1985 and O.M. No. 18(4)/98-GM-GL-26 dated 26.6.2000 on the subject mentioned above. As per policy laid down therein, deputation of Government officers including those belonging to Defence Services to posts (whether Board-level or below Board-level) in Central Public Sector Enterprises (CPSEs) is not permitted. Government officers could join posts in CPSEs only on immediate absorption basis. This policy also applies to employees of one CPSE joining other CPSEs regardless of the level of the post involved. These OMs had also provided for relaxation of the policy in respect of certain categories of posts in CPSEs.

2. The Government have since reviewed the policy and decided that the existing ban on deputation to posts in CPSEs should continue.

3. However, deputation may be permitted in the following cases:-

- (i) Posts of Chief Executives and Regional/Zonal Chiefs of CPSEs who require continuous liaison and co-ordination with the State Governments and where the expertise acquired in the State Government is needed for organizational efficiency. The list of CPSEs in which the posts of Chief Executives and Regional/Zonal Chiefs could be exempted, should remain restricted and should not normally be enlarged. Such list shall be drawn up by Department of Public Enterprises (DPE) with the approval of ACC separately.

- (ii) Posts of Chief Vigilance Officers in CPSEs.
 - (iii) Posts of Chief Security Officers and others in Security set up of CPSEs, subject to the following conditions:-
 - (a) Security personnel, other than Chief Security Officer, will not be taken on deputation where the Central Industrial Security Force (CISF) is deployed.
 - (b) Where CISF is not deployed to provide security services, the Directorate General, Resettlement (DGR) should be approached for meeting security requirements, as provided in DPE O.M. No.6/22/93/GL-15/DPE(SC/ST) dated 1.2.1999, as amended from time to time.
 - (c) Where CISF is not deployed and protection from specialized forces other than DGR sponsored security agencies is required, personnel of the rank of Inspector and below from Central Police Organizations like CRPF and CISF, Railway's Protection Forces like RPF/RPSF and State Police and State Armed Police may be taken on deputation for providing Security to vital installations like refineries, pipelines, power plants, metro rails etc.
 - (d) Security personnel taken on deputation from specialized forces will not be deployed in the corporate/administrative offices or the residential areas of CPSEs.
4. The criteria for exemption of any particular category of posts from the "Rule of immediate absorption" should be non-availability of suitable persons for particular posts. All attempts should be made to fill up the post on a regular basis. The option for filling up of a post on deputation should be used as an exception when all other avenues have been exhausted.
5. The number of posts to be exempted will be decided in each PSE on a case-to-case basis with the concurrence of DPE. DPE, while agreeing to exemption, would keep the criteria in para 4 above in mind.
6. Exemptions of posts in CPSEs, which are not covered under the categories mentioned in para 3 above, from the rule of immediate absorption have to be obtained from the Department of Public Enterprises, on a case to case basis, by the administrative Ministry/Department concerned, as provided in Ministry of Personnel, Public Grievances & Pensions (Department of Pension & Pensioners' Welfare) O.M. No.4/10/2005-P&PW(D) dated 25.4.2005.
7. The period of deputation shall not exceed 5 years in the case of Board level posts and 3 years in the case of below Board level posts. However, the tenure of officers of organized services appointed to posts in Public Sector Enterprises should be the same as the tenure that would be permissible in their cases on their deputation to the Centre.
8. The above decisions would apply to all CPSEs including those under the Ministry of Railways.
9. For below Board level posts, DPE, with the approval of ACC, may evolve suitable guidelines for sectors/technical departments looking to their specific requirements.
10. All administrative Ministries/Departments are requested to take note of the above decisions and also to bring the same to the notice of the CPSEs under their administrative control for strict compliance by all concerned.

(No. 18(6)/2001-GM-GL-77 dated the 28th December, 2005)

(I) APAR/ACR Matters

1. Maintenance and preparation of Annual Performance Appraisal Reports — communication of all entries for fairness and transparency in public administration

The undersigned is directed to refer this Department's O.M. of even no. dated 18th October, 2005 regarding performance appraisal of top management incumbents of CPSEs, wherein it has been, *inter alia*, provided that all adverse entries recorded in the Annual Performance Appraisal (APR) of an officer should be communicated to the concerned officer (para 6 of DPE O.M. dated 18.10.2005)

2. The issue of communication of entries in the APR has been considered by Supreme Court in the case of Shri Dev Dutt Vs. Union of India (Civil Appeal No. 7631 of 2002). In their judgement dated 12.5.2008, the Supreme Court has observed that "when the entry is communicated to him the public servant should have a right to make a representation against the entry to the concerned authority, and the concerned authority must decide the representation in a fair manner and within a reasonable period. We also hold that the representation must be decided by an authority higher than the one who gave the entry, otherwise the likelihood is that the representation will be summarily rejected without adequate consideration as it would be an appeal from Caesar to Caesar. All this would be conducive to fairness and transparency in public administration, and would result in fairness to public servants. The State must be a model employer, and must act fairly towards its employees. Only then would good governance be possible." It has been further mentioned in the judgement that the above directions will, *inter alia*, be applicable to the employees of Public Sector Corporations.

3. In compliance of the above referred judgement of Supreme Court, the Government has issued instructions to the effect that full Annual Performance Appraisal Report (APAR) including the overall grade shall be communicated to the concerned officer. It has also been provided that the concerned officer shall be given the opportunity to make any representation against the entries and final grading given in the report. A copy of the O.M. dated 14.5.2009 issued by Department of Personnel & Training in this regard is enclosed.

4. Keeping in view the directions of the Supreme Court and the decision of the Government to make the Performance Appraisal system more consultative and transparent, it has been decided that the above instructions issued by DOPT shall be made applicable for CPSEs also. Para 6 of the DPE O.M. dated 18.10.2005 will deem to have been amended to that extent.

5. All Administrative Ministries/Departments are, therefore, requested to take note of the contents of the DOPT O.M. dated 14.5.2009 and ensure all CPSEs under their respective administrative control comply with the provisions of the afore-mentioned O.M. issued by DOPT.

(DPE OM No. 5(1)/2000-GM Dated the 28th May, 2009)

2 Annual Performance Appraisal of top management incumbents of Central Public Sector Enterprises (CPSEs) from the year 2010-11.

This is regarding the Annual Performance Appraisal of top management incumbents of Central Public Sector Enterprises (CPSEs). It may be recalled that the guidelines for writing Performance Appraisal Report (PAR) of top management incumbents of CPSEs who do not belong to any organized service of the Central or State Governments were prescribed vide DPE O.M. No. 5(1) 2000-GM-GL-71 dated 18th October, 2005. Since then significant developments have taken place in the field of Human Resource Development and Performance Management, viz. bringing all CPSEs under the ambit of the MOU system, introduction of Performance-related Pay (PRP) for executive in CPSEs and introduction of new performance appraisal formats/

rules for All India Service Officers. In view of the above developments, a need was felt for setting up of a robust and transparent performance management system in CPSEs.

2. In the above background, the existing format and procedure of writing PARs of the top management incumbents of CPSEs were reviewed by an Inter-Ministerial Committee set up by Department of Public Enterprises. The report of the Committee, which has been accepted by the Government, is available on the web-site of DPE (<http://dpe.nic.in/newgl/PAR.doc>). As recommended by the Committee, the revised procedure and guidelines for writing PARs of Chief Executive, Functional Directors, Executive Directors (E9) and General Managers (E8) of CPSEs are enclosed for **adoption by all CPSEs from the year 2010-11 onwards**. The salient features of the revised guidelines are also enclosed for your ready reference.

3. You may like to take necessary steps to ensure that all CPSEs under the administrative jurisdiction of your Ministry/Department comply with the revised Guidelines. The concerned CPSEs may be directed to nominate a suitable officer as the Nodal Officer for ensuring compliance with the prescribed guidelines. As prescribed under the revised Guidelines, suitable nodal officer in your Ministry/Department (concerned Joint Secretary incharge of Administration) may also be nominated under.

4. I would be grateful if this Department could be apprised of the action taken in respect of your Ministry/Department. This would enable us to monitor the timely completion of the Performance Appraisal exercise in respect of top management incumbents in CPSEs.

Salient Features of the revised Guidelines on writing Performance Appraisal Reports (PARs) of Chief Executives, Functional Directors, Executive Directors (E9) and General Managers (E8) of CPSEs

1. Format of PAR :- There would be a common format for Chief Executives, Functional Directors, Executive Directors (E9) and General Manager (E8) (page 10 to 25).

2. Components of PAR and their relative weights:- The proposed Weightage for Achievement of MOU targets (as determined by DPE), individual targets, personal attributes and functional competencies for all the 3 levels of top management incumbents of CPSEs would be as under.

Designation	Weightage			
	MOU target	Individual flowing target from MOU targets	Personal attributes and functional competencies	Total
Chief Executive	75	-	25	100
Functional Directors	40	35	25	100
Executive Directors (E9) & General Manager (E8)	25	50	25	100

3. Time Schedule:- A detailed time schedule for each and every one every process of the Performance Appraisal exercise has been laid out so that the exercise is completed within one year the Reporting Year. (Table 2, Page 5 and 6).

4. Channel of submission :- The channel of submission of PAR has been recommended in a tabular form so that it is clear and unambiguous (Table 1, Page 2). However, the Administrative Ministries, with the Concurrence of DPE, can make modification(s) in the prescribed channel.

5. Monitoring of PAR process :- The PAR process would be monitored closely so that everybody involved in the process adheres to the prescribed time schedule. For the purpose of close monitoring of the performance Appraisal exercise, CPSEs and the administrative ministries/department will nominate their senior officers as Nodal officers whose responsibilities are listed at page 6.

6. Additional Information to be recorded in APR :- The views of superior on the integrity of their subordinates would be recorded while assessing the performance of the executives. The information regarding (i) annual medical examination, (ii) filing of annual property return, (iii) training programme(s) attended, (iv) additional qualification acquired and (v) award/ honours conferred in respect of officer reported upon would now be furnished in the PAR.

7. Grading of executives :- It may also be insured that bell Curve approach is followed in grading the executive of CPSEs so that not more than 10%-15% executives are graded as Outstanding/ Excellent (PAR score of 1.00-1.50).

8. While the prescribed PAR Form, guidelines and procedure are to be treated as "Core elements" of the Performance Management System in all CPSEs, in order to accommodate Existing robust performance management practices, and future Requirements unique to some CPSEs, the Boards of CPSEs may supplement the contents in the enclosed PAR Form, Under intimation to DPE and their administrative Ministry/Department, without losing any of its Features.

Procedure and guidelines for writing Performance Appraisal Report of Chief Executives, Functional Directors, Executive Directors (E9) and General Managers (E8) of Central Public Sector Enterprises (CPSEs)

1. Definitions:

- a) **Accepting Authority:** Accepting Authority is the authority, which supervises the performance of Reviewing Authority and Reporting Authority and is responsible for the actions of the officer reported upon.
- b) **Board level Executive :** Board level executives include the Chief Executive and the Functional Directors of the CPSE.
- c) **Chief Executives:** Chief Executive of the CPSE means the head of the CPSE having substantial powers called by whatever name including Executive Chairman, Chairman and Managing Director and Managing Director.
- d) **Nodal officer:** Nodal officer refers to a senior officer nominated as such by the CPSE or the Administrative Ministry/Department concerned to coordinate the activities relating to Performance Appraisal exercise for its smooth completion.
- e) **PAR Repository Authorities:** PAR Repository Authorities are those authorities that have been designated by the CPSE, Administrative Ministry/Department and Public Enterprises Selection Board (PESB) to keep the PARs of the top management incumbents of CPSEs in their custody.
- f) **Reporting Authority:** Reporting Authority is the authority, which supervises the performance of the officer reported upon.

- g) **Reporting year:** The reporting year of the PAR is the financial year i.e. from 1st April to 31st March.
- h) **Reviewing Authority:** Reviewing Authority is the authority, which supervises the performance of the Reporting Authority and supervises the work of the officer reported upon through the Reporting Authority.
- i) **Top Management incumbents:** Top management incumbents include Chief Executives, Functional Directors, Executive Directors (E9) and General Managers (E8) of Central Public Sector Enterprises (CPSEs).

2. Applicability

These procedures are applicable to all Board level executives and Executive Directors (E9) and General Managers (E8) and other equivalent officers of CPSEs. The Performance Appraisal Reports (PARs) of Government officers on deputation to posts in CPSEs will be written in the formats prescribed by their respective Cadre Authorities and the procedure for writing the same will also be as prescribed by those Authorities. The PARs of Chief Vigilance Officers will be written on the instructions issued by Department of Personnel & Training. Further, unless otherwise specified, the term 'he' mentioned in these guidelines includes 'she' also.

3. Authorities for initiation, review and acceptance of PARs for Top management incumbents of CPSEs

3.1 Table No. 1 below specifies the Reporting Authority, Reviewing Authority and Accepting Authorities in respect of Performance Appraisal Report (PAR) of the Chief Executives, Functional Directors, Executive Directors (E9) and General Managers (E8) of CPSEs.

Table No.1-Channel of submission of PAR

Sl. No.	Name of the officer whose PAR is to be written	Reporting Authority	Reviewing Authority	Accepting Authority	PAR Repository
I Holding Companies					
i)	Executive Chairman	Secretary of the AM/D ¹	Minister-in-charge	Minister-in-charge	Original copy with the AM/D and one certified copy each with the Nodal officer of the CPSE and PESB
ii)	CMD ²	Secretary of the AM/D	Minister-in-charge	Minister-in-charge	
iii)	MD ³	Executive Chairman	Secretary of the AM/D	Minister-in-charge	-do-
		Secretary of the AM/D	Minister-in-charge		

¹AM/D-Administrative Ministry/Department

²CMD-Chairman & Managing Director of the CPSE

³MD-Managing Director of the CPSE

Sl. No.	Name of the officer whose PAR is to be written	Reporting Authority	Reviewing Authority	Accepting Authority	PAR Repository
iv)	Functional Director	Executive Chairman	Secretary of the AM/D	Minister-in-charge	-do-
		CMD	Secretary of the AM/D	Minister-in-charge	
		MD	Executive Chairman Secretary of the AM/D	Secretary of the AM/D Minister-in-charge	
v)	ED ¹ and other officers of equivalent posts (E9)				
a	In case the officer directly reports to Functional Director	Functional Director	Executive Chairman CMD MD	Executive Chairman CMD Executive Chairman or MD	Original copy with the Nodal officer of the CPSE
b	In case the officer directly reports to Executive Chairman	Executive Chairman	Executive Chairman	Executive Chairman	
c	In case the officer directly reports to CMD	CMD	CMD	CMD	
d	In case the officer directly reports to MD	MD	Executive Chairman MD	Executive Chairman MD	
vi)	GM ² and other officers of equivalent posts (E8)				
a	In case the officer directly reports to ED	ED	Functional Director	Executive Chairman of CMD or MD	Original Copy with the Nodal officer of the Executive CPSE.
			Executive Chairman or CMD	Executive Chairman or CMD	
			MD	Executive Chairman or MD	
b	In case the officer directly reports to Executive Chairman	Executive Chairman	Executive Chairman	Executive Chairman	

¹ED-Executive Director in CPSE.

²GD-General Manager in CPSE.

Sl. No.	Name of the officer whose PAR is to be written	Reporting Authority	Reviewing Authority	Accepting Authority	PAR Repository
c	In case the officer directly reports to CMD	CMD	CMD	CMD	
d	In case the Officer directly reports to MD	MD	Executive Chairman	Executive Chairman	
			MD	MD	
e	In case the officer directly reports to Functional	Functional Director	Executive Chairman	Executive Chairman	
			CMD	CMD	
			MD	Executive Chairman or MD	
II Subsidiary Companies					
i)	CMD	CMD or Executive Chairman of Holding Company	Secretary of the AM/D	Minister-in-charge	Original Copy with AM/D and one certified copy each with the Nodal officer of the CPSE and PESB
		MD of Holding Company	Executive Chairan of Holding Company or Secretary of the AM/D	Secretary of the AM/D or Minister-in-Charge	
ii)	MD	Executive Chairman/ CMD of Holding Company	Secretary of the AM/D	Ministry-in-charge	
		MD of Holding Company	Executive Chairman of Holding. Company or Secretary of the AM/D	Secretary of the AM/D or Minister-in-charge	
iii)	Functional Director	CMD/MD of subsidiary company	Executive Chairman or CMD of Holding Company	Secretary of the AM/D	-do-
			MD of Holding Company	Executive Chairman of Holding Company or Secretary of the AM/D	

Sl. No.	Name of the officer whose PAR is to be written	Reporting Authority	Reviewing Authority	Accepting Authority	PAR Repository
iv)	GM and other officers of equivalent posts (E8)				
a	In case the officer directly reports to Functional Director	Functional Director	CMD	CMD	Original Copy with the Nodal officer of the CPSE
			MD	Executive Chairman or MD	
b	In case the officer directly reports to CMD	CMD	CMD	CMD	
c	In case the officer directly reports to MD	MD	Executive Chairman	Executive Chairman	
			MD	MD	

3.2 Notwithstanding the channel of Reporting, Reviewing and Acceptance mentioned in para 3.1 above, the administrative Ministry/Department may, in consultation with Department of Public Enterprises, adopt a different channel of submission of PAR on case by case for valid reasons.

4. Schedule of commencement and completion of PARs:

4.1 Table No.2 given below indicates the schedule of commencement and completion of Performance Appraisal exercise which should be strictly followed:—

Table No.2 Schedule of commencement and completion of PARs

S.No.	Activity	Cut-off Date ¹
i)	Finalization of targets and relative weights by the Reporting Authority in consultation with the officer reported upon and sending a copy thereof to the Nodal officer for record	30 th June
ii)	Nodal Officer will circulate one copy of blank PAR form to the officer reported upon specifying the Reporting, Reviewing and Accepting Authorities	30 th September
iii)	Submission of the PAR form after appraisal by the Reporting reported upon to the Reporting Authority under intimation to the Nodal officer	31 st October
iv)	Submission of the PAR form after appraisal by the Reporting	15 th November
v)	Submission of the PAR form after review by the Reviewing Authority to the Accepting Authority under intimation to the Nodal officer	30 th November

¹Cut-off date will be in the year following year for which PAR is written for S. No. (i) where the cut-off date mentioned is 30th June of the Reporting year. In case these dates fall on holidays, the cut-off date will be automatically extended to the next working day.

vi)	Furnishing of the PAR form after appraisal by Accepting Authority to the Nodal officer	15 th December
vii)	Disclosure of the PAR to the officer reported upon by the Nodal officer	31 st December
viii)	Submission of representation, if any, by the officer reported upon to the Nodal officer	15 th January
ix(a)	<u>If no representation is received:</u> The PAR as disclosed to the officer reported upon should be treated as final and forwarded to the concerned PAR Repository Authority by the Nodal officer	31 st January
ix(b)	<u>If representation is received:</u> The Nodal officer shall put up the representation before the Accepting Authority for disposal in consultation with a committee of senior officers and with the Reporting/Reviewing Authority as may be required.	28 th February
ix(c)	Nodal officer shall make necessary entries in Section VI of the PAR about the final decision of the Accepting Authority on the representation and disclose the same to the officer reported upon	15 th March
ix(d)	Nodal officer will forward the completed PAR in original to the concerned PAR Repository Authorities and complete the process	31 st March
<p>5. Nomination of Nodal officer by CPSE/Administrative Ministry/Department</p> <p>5.1 The Nodal officers nominated by the CPSE and the concerned administrative Ministry/Department should ensure that only one copy of the PAR form in respect of the Chief Executives, Functional Directors, Executive Directors and General Managers is circulated and filled up. They should also ensure that the PARs are duly completed as per the schedule given in para 4.1 and copies (hard as well as digital) of the PAR are made and certified by them. The Nodal officer should send the certified copies of the PAR to the concerned PAR Repository Authorities within the prescribed time. The Nodal officers for the Board level and below Board level executives are indicated in Table No.3 given below:</p> <p style="text-align: center;">Table No. 3-Nodal officers for the Board level and below Board level executives</p>		
Particular of Post		Nodal officer
Board level Executives Chief Executives and Functional Directors		Joint Secretary looking after administration in the concerned administrative Ministry/Department
Below Board level Executives (E9 & E8) Executive Directors and General Managers		A senior officer of CPSE looking after the Human Resource/Personnel Administration Deptt. so designated by the concerned CPSE

6. Procedure for initiation, review and acceptance of PARs

6.1 Commencement of Performance Appraisal exercise: The performance appraisal should commence with the fixation of targets. The deliverables as well as relative weights in respect of each assigned tasks will be decided by the Reporting Authority after consulting the officer reported upon within two months from the start of the period of report. For example, for the year 2010-11, this work should be completed by 31st May, 2010. A copy of the approved targets as well as their relative weights should be sent to the Nodal officer by 30th June of the year of report by the Reporting Authority for record.

6.2 Nodal officer: The Nodal Officer shall, by 30th September of the year following the Reporting year, circulate one copy of PAR form after filling Section I to the officer reported upon specifying the Reporting, Reviewing and Accepting Authorities. The Nodal officers shall closely monitor the process of initiation and completion of PAR to that the remarks of the Reporting, Reviewing and Accepting Authorities are recorded without fail by the dates indicated in the schedule given in Para 4.1. In case the officer was on leave, training, ex-cadre foreign assignment for more than a year, the Nodal officer will record a certificate to the effect that no PAR is required to be written in respect of that officer for that period. Such a period shall be called 'No Report Period' and accordingly no PAR would be necessary for such period.

6.3 Officer reported upon: The officer reported upon shall forward his self-appraisal to the Reporting Authority before 31st October of the following year under intimation to the Nodal officer and keep a record of the same as evidence that he had submitted the same in time i.e. by 31st October.

6.4 Reporting Authority: The Reporting Authority should record his comments in the PAR and send it to the Reviewing Authority within the stipulated time i.e. by 15th November under intimation of the Nodal officer. When the Reporting Authority retires or otherwise demits office, he may be allowed to give his report on his subordinates within a month of his retirement or demission of office. The Reporting Authority should have at least 3 months experience of the work and conduct of the officer reported upon before writing an assessment of the work of that officer. However, when there is no Reporting Authority having the requisite experience of 3 months or more during the period of report, the Nodal officer should indicate this in section III of the PAR.

6.5 Reviewing Authority: The Reviewing Authority should record his comments on the PAR of his subordinates forwarded to him by the Reporting Authority and send it to the Accepting Authority by 30th November under intimation of the Nodal officer. The Reviewing Authority can review the PAR of his subordinates within one month after his retirement or demission of his office.

6.6 Accepting Authority: The Accepting Authority shall within the timeframe specified in para 4.1, record his remarks on the PAR and forward it to the Nodal officer. Where the Accepting Authority has not seen the performance of the officer reported upon for at least three months during the period for which the PAR has been written, it will not be necessary for the Accepting Authority to accept any such report and an entry to this effect shall be made in the Performance Appraisal report by the Nodal officer. The Accepting Authority shall not accept any PAR after one month of his retirement from service or demitting office. Further, it is incumbent on the Accepting Authority to see whether the overall grade given to the officer by the Reporting/Reviewing Authority correspond with the pen picture given by them and in case they are different, he/she should harmonise them by suitable changing the overall grade.

6.7 Action plan to avoid delay in completion of the PAR process: In case the Reporting Authority fails to submit the PAR to the Reviewing Authority within the stipulated period i.e. by 15th November, the Nodal officer shall immediately obtain a copy of the self-appraisal from the officer reported upon and send it directly to the Reviewing Authority and authorize him to initiate the PAR. The Nodal officer shall also

keep a note of the failure of the Reporting Authority to submit the PAR of his subordinate in time for making entry in Item No. 11 of Section I of the PAR of such Reviewing/Reporting. In case either the Reviewing authority or both the Reporting Authority and Reviewing Authority fails(s) to submit the PAR to the Accepting Authority within the stipulated period i.e. by 30th November, the Nodal officer shall immediately obtain a copy of the PAR of the officer reported upon with self appraisal and appraisal of the Reporting Authority, if available and send them directly to the Accepting Authority and request him to either review or 'initiate and review' the PAR, as the case may be. The Nodal officer shall also keep a note of the failure of the Reporting or/and Reviewing Authority, as the case may be, to submit the PAR of his/ their subordinates in time for an appropriate entry in Item No. 11 of Section I of the PAR of such Reviewing/ Reporting Authorities. When the PAR of an officer of the CPSE reported upon is initiated by the Accepting Authority due to delay in initiation and review by the concerned authorities, it will not be necessary for him to review and accept such report. Similarly, when the PAR of an officer of the CPSE reported upon is reviewed by the Accepting Authority due to delay in review by the Reviewing Authority, it will not be necessary for him to accept such report.

6.8 Comments on the integrity of the officer reported upon: The Reporting Authority is required to comment on the integrity of the officer reported upon. In recording remarks with regard to integrity, he/she need not limit him/herself only to matters relating to financial integrity but would also take into account any violation, by the concerned officer, of the code of conduct laid down by the Board of the CPSE or expected of him. The following procedure should be followed in filling up Column 8 relating to integrity: (i) If the Officer's integrity is beyond doubt, it may be stated: (ii) If there is any doubt or suspicion, a separate secret note should be recorded and sent to the Reviewing Authority after recording this fact in the column relating to integrity. (iii) Where it is not possible either to certify the integrity or to record secret note, the Reporting Authority should state that he/she has not received anything against the officer. The Reviewing Authority will ensure that the follow up action is taken expeditiously.

6.9 The Reviewing Authority will ensure that the follow up action is taken expeditiously on the secret note if any submitted by the Reporting Authority. If, as a result of the follow up action, the doubts or suspicions are cleared, the integrity of the officer reported upon should be certified and an entry made accordingly by the Reviewing Authority in the Performance Appraisal Report. If the doubts or suspicions are confirmed, this fact should also be recorded by the Reviewing Authority. If as a result of the follow up action, the doubts or suspicions are neither cleared nor confirmed, the officer's conduct should be watched for a further period of one year and the outcome should be recorded in the Performance Appraisal Report by the Reviewing Authority. The Nodal officer shall communicate the final decision on the integrity of the officer reported upon to the officer concerned as well as the Reporting Authority.

7. Disclosure of the entries recorded in the PAR and disposal of the representation, if any, received from the officer reported upon

7.1 Once the PAR is completed, the Nodal officer shall be responsible for communicating the full Performance Appraisal Report including the overall grade and assessment of integrity, to the concerned officer by 31st December of the year following the year of report.

7.2 The concerned officer reported upon shall be given an opportunity to make a representation, if any, within a period of fifteen days from the date of receipt of the PAR against the entries and the final grading given in the PAR. While communicating the entries, it should be made clear that in case no representation is received within fifteen days, it shall be deemed that he/she has no representation to make. If the Nodal officer does not receive any representation from the concerned officer reported upon, on or before fifteen days from the date of disclosure, the PAR will be treated as final. The representation shall be restricted to specific observations contained in the report on the assessment of the achievements against targets, personal

attributes, functional competencies and integrity. A committee of three senior officers will be appointed by the Accepting Authority to advise him on the representation, if any, received from the officer reported upon. The Committee of officers will consider the representation received from the officer reported upon in consultation with the Reporting and/or Reviewing Authorities and submit their report to the Accepting Authority. The Accepting Authority shall decide the matter objectively based on the material placed before him within a period of 45 days from the date of receipt of the representation from the officer reported upon. The Accepting Authority after due consideration shall pass a self-contained, speaking order on the issue at hand. He may reject the representation or may accept and modify the PAR accordingly. The Nodal officer shall communicate to the officer reported upon, Reporting and Reviewing Authorities, the decision of the Accepting Authority and the final grading within fifteen days of its receipt and shall keep record thereof in Section VI of PAR form.

8. Maintenance of PARs

The completed PARs in original of all Chief Executives and Functional Directors of CPSEs shall be retained in the Administrative Ministry and a certified copy of the PAR shall be kept in the concerned CPSE and PESB. The completed PARs in original of all Executive Directors (E9), General Managers (E8) and their equivalent executives of CPSEs shall be retained in the concerned CPSE, Maintenance of a copy of PAR of all Board level executives will facilitate Public Enterprises Selection Board (PESB) in its task of selection of Board level executives in CPSEs.

9. Oversight of Performance Appraisal exercise by Department of Public Enterprises (DPE)

By 30th April of every year, PESB will share with DPE the status of completion of Performance Appraisal exercise in respect of all Board level executives for the year which is two years prior to the year of sharing of status report. Based on the report of PESB, DPE will take up the issue of incomplete or delayed PARs with the administrative Ministries/Departments for expediting the completion of the Performance Appraisal exercise.

PERFORMANCE APPRAISAL REPORT OF THE CHIEF EXECUTIVES, FUNCTIONAL DIRECTORS, EXECUTIVE DIRECTORS (E9) AND GENERAL MANAGERS (E8) OF CENTRAL PUBLIC SECTOR ENTERPRISES (CPSEs)

For the year/period from _____ to _____

Each and every section of this form should be filled in by the concerned officer/authority after carefully reading the instructions attached to this form.

Section I - Basic information

(To be filled in by the Human Resource/Personel/Administration Department of the CPSE)

**Recent
photograph of
the officer
reported upon
to be affixed**

Personal Data of the officer reported upon

1. Name of the Officer reported upon: _____
2. Employee Number: _____
3. Date of Birth: _____
4. Brief Academic & Prpfessional Qualifications: _____

5. (a) Name of the Post held: _____
(b) Grade of Post held: _____
(c) Date of Continuous Appointment in this Post: _____
(d) Present Pay and Scale of Pay: _____
(e) Date of continuous Appointment in the same enterprise: _____

6.	(a)	Date of First Public Enterprises Appointment : _____		
	(b)	Scale of Pay of the Post on First Appointment : _____		
7. Reporting, Reviewing and Accepting Authorities during the year				
		Name & Designation	Period worked	
			from	to
Reporting Authority				
Reviewing Authority				
Accepting Authority				
8. Period of absence on leave, etc. during the year.				
		Period	Type	Remarks
On Leave other than Casual Leave				
Others (specify)				
9. Qualification acquired and Training programmes attended during the year:				
(a) Details of Qualification acquired during the year				
S.No.	Details of Qualification	Institution from which studied	Details of subjects studied and the marks obtained	
(b) Details of Training programme attended during the year				
Date from	Date to	Institute	Subject	

10. Awards/Honours received during the year

--

11. Number of officers for whom PAR was not written by the officer reported upon as Reproting/ Reviewing Authority for the Previous year

--

12. Date of filing the property return in the prescribed format (Appendix I) for the year ending 31st December,_____.

--

13. Date of last prescribed medical examination (for officers over 40 years of age). Please attach a copy of the summary of the medical report. (Suggested format of detailed and summary of the medical examination report is at Appendix II)

--

Signature:

Name & Designation of the officer of the Human Resource/Personnel/Administration Department

Date:

Section II-Self appraisal of the officer reported upon

1. Brief Description of responsibilities:

(Objectives of the position you hold and the responsibilities you are required to discharge, in about 100 words)

2. Annual work plan and achievement:			
Tasks to be performed I. MOU Targets II. Other key assigned tasks flowing from MOU	Weightage *3	Deliverables¹ –	Achievement² *4
(i)			
(ii)			
(iii)			
(iv)			
(v)			
(vi)			
(vii)			
(viii)			
(ix)			
(x)			
Total (i to x)	*5		
III-Grand Total	75		
<p>1. Deliverables refer to quantitative or financial targets or verbal description of expected outputs. The deliverables and the weights for individuals key assigned tasks will be decided by the Reporting Authority after consulting the officer reported upon within two months from the start of the period of report. The Reporting Authority shall send a copy of the details of the finally agreed key assigned tasks and their relative weights targets to the Nodal officer by 30th June.</p> <p>2. Actual achievements against the specified deliverables in respect of each task. No explanation for divergences are to be given in this table.</p> <p>3. The weightage for MoU targets is 75 for Chief Executives, 40 for Functional Directors and 25 for Executive Directors/General Managers.</p> <p>4. The final MoU score based on audited accounts conveyed by DPE should be filled in this space.</p> <p>5. The total weightage for other assigned tasks flowing from MoU is nil for Chief Executive, 35 for Functional Director and 50 for Executive Directors/General Managers.</p>			

3. During the period under report, do you believe that you have made any exceptional contribution, e.g. successful completion of an extraordinarily challenging task or major systemic improvement (resulting in significant benefits to the Company and/or reduction in time and costs)? If so, please give a verbal description (within 100 words) :

4. What are the constraints that hindered your performance?

5. Please indicate specific areas of training that will add value to you:

For the Current assignment:

For your future career:

Note: Chief Executives and Functional Directors should send their updated CV, including additional qualifications acquired, training programmes attended, publications/special assignments undertaken to the Nodal officer of the CPSE as well as the Nodal officer of the Administrative Ministry once in 5 years so that updated records are available with them. However, the Executive Directors and General Managers should send such information once in 5 years to the nodal officer of the CPSE only.

6. Declaration

Have you filed immovable property return in the prescribed format as due? If yes, please mention the date.	Yes/No
Have you undergone the suggest medical check up?	Yes/No
Have you set the annual work plan for all offiicers for the current year, the respect of whom you are the Reporting Authority?	Yes/No

Signature of the officer reported upon

Date:

Section III—Appraisal of the Reporting Authority (Please read the relevant instructions attached to this form before filling up this section)

- 1. Please state whether you agree with the responses relating to the accomplishments of the work plan as filled out in section II. If not, please furnish factual details.**

- 2. Please comment on the claim (if any) made by the officer reported upon about his exceptional contribution.**

- 3. Has the officer reported upon met with any significant shortfall in achieving the targets? If yes, please furnish factual details.**

4. Do you agree with the constraints mentioned by the officer reported upon that had hindered his performance and, if so, to what extent?

5. Do you agree with the competency up-gradation needs as indentified by the officer?

6. Assessment of the achievement made against the targets. *(This assessment should rate the officer vis-a-vis his peers and not the general population. Grades should be assigned on a scale of 1-5, in maximum of 2 decimal numbers, with 1.00 referring to the best grade and 5.00 at the lowest grade. Weightage to his Section will be 75%).*

Particulars	Weightage	Reporting Authority		Reviewing Authority		Initials of Reviewing Authority
		Absolute grade	Weighted grade	Absolute grade	Weighted grade	
	(a)	(b)	(c=axd)	(d)	(e= ax d_	
I. MOU Targets	*1	*2				
II. Other key assigned tasks						
(i)						
(ii)						
(iii)						
(iv)						
(v)						
(vi)						
(vii)						
(viii)						
(ix)						
(x)						
Total (i to x)	*3	–			–	
III-Grand Total II & III	75	–			–	
Overall Grade= Grand Total/100	-	-			–	

Weighted grade is to be computed by multiplying the absolute grade by the relative weights. Overall grading is to be computed by summing up the weighted grade and dividing the total by 100 and rounding off to 2 decimals.

¹The weightage for MoU targets will be 75 for Chief Executives, 40 for Functional Directors and 25 for Executive Directors/ General Managers.

²The final MoU score based on audited accounts conveyed by DPE should be filled in this space.

³The weightage for other key assigned targets will be nil for Chief Executives, 35 for Functional Directors and 50 for Executive Directors/General Managers.

7. Assessment of Personal Attributes and Functional Competencies (<i>Grades should be assigned on a scale of 1-5, in maximum of 2 decimal numbers, with 1.00 referring to the best grade and 5.00 to the lowest grade. Weightage to this Section will be 25%</i>)				
S.No.	Particulars of Personal Attributes and Functional Competencies	Grade by Reporting Authority	Grade by Reviewing Authority	Initials of Reviewing Authority
i.	Effective communication skill			
ii	Strategic orientation and Decision making ability			
iii	Problem solving and Analytical ability			
iv	Ability to develop and motivate team members			
v	Ability to coordinate and develop collaborative partnerships			
vi	Innovation and change orientation			
vii	Planning and Organising			
viii	Result orientation			
ix	Business Acumen			
x	Role based functional competency			
	Total (i to x)			
	Overall Grading of Personal Attributes and Functional competencies (Total/40)			
<p><i>All the personal attributes and functional competencies (S.No. i to x) carry equal weights. Overall grading is to be computed by dividing the total grades by 40 and rounding off to 2 decimals.</i></p> <p><i>a. Personal Attributes and Functional Competencies should be judged in the backdrop of Leadership ability to lead by example, particularly in challenging circumstances.</i></p> <p><i>b. Item nos. iv and v on the team work should be evaluated based on the ability of the incumbent to perform as a member of a team and enhance team performance.</i></p>				
8. Integrity (Please comment on the integrity of the officer reported upon by choosing and one of the following options):				
(i) Beyond doubt				
(ii) Integrity of the officer is doubtful. A separate secret note is attached.				
(iii) Nothing adverse has been received about the officer.				

9. Pen picture by Reporting Officer. Please comment (in about 100 words) on the overall qualities of the officer including areas of strengths and those which need improvements. The pen picture should be consistent with the overall grade furnished in Item no. 10.



10. Overall grade (on a grade of 1-5) based on the grades awarded in Item no. 6 & 7. This should be computed by summing up the weighted average grade indicated in Item No. 6 and Item No. 7.



**Signature of Reporting Authority
Name & Designation of the Reporting Authority**

Date:

Section IV-Review by Reviewing Authority (Please read and relevant instructions attached to this form before filling up this Section)

1. Do you agree with the assessment made by the Reporting officer with respect to discharge of responsibilities and various attributes of the officer reported upon in Section III? (In case you agree with the assessments made by the Reporting Authority, please make a note to that effect in the space provided for you in Item No. 6 and 7 of Section III and initial it. If you do not agree with any of the numerical assessments made by the Reporting Authority, please record your assessments in the space provided for you in Item No. 6 and 7 of Section III and initial your entries.)

Yes/No.

2. Do you agree with the assessment of the Reporting officer in respect of extraordinary achievements and/or significant shortfalls of the officer reported upon?

Yes/No

3. In case of difference of opinion, details and reasons for the same may be given.

4. Comments, if any, on the pen picture written by Reporting Authority.

5. Overall grade on a scale of 1—5 (*Grade should be assigned on a scale of 1-5, with referring to the best grade and 5 to the lowest grade). The overall grade should be computed by summing up the weighted average grade obtained in Item No. 6 and 7 of Section III.*

Signature of Reviewing Authority_____

Name & Designation of the Reporting Authority

Date:

Section V - Acceptance by the Accepting Authority (Please read the relevant instructions attached to this form before filling up this section)

- 1. Is the overall grade given by the Reporting/Reviewing Authority is consistent with the pen picture given by them?**

Yes/No

- 2. Do you agree with the remarks of the Reporting/Reviewing Authorities?**

Yes/No

- 3. In case of difference of opinion, details thereof and reasons for the same may be given.**

- 4. Overall grade on a grade of 1—5** (*Grades should be assigned on a scale of 1—5, with referring to the best grade and 5 to the lowest grade*).

.

Signature of Accepting Authority
Name & Designation of the Accepting Authority

Date:

Section VI - Review by the Acceptance Authority in the light of the representation received from the officer reported upon

- 1. Whether the Accepting Authority considers any merit for revising the overall grade given earlier to the officer reported upon in the light of the representation made by him/her?**

Yes/No

- 2. If yes, please indicate the revised overall grade on a grade of 1—5** (*Grades should be assigned on a scale of 1-5, with 1 referring to the best grade and 5 to the lowest grade*).

**Signature of the Nodal Officer
Name & Designation of the Nodal officer**

Date:

Note:

The concerned Nodal Officer shall fill this section based on the orders passed by the Accepting Authority. Copies of the representation made by the officer reported upon and the orders of the Accepting Authority thereon are to be attached.

SUGGESTED PROFORMA FROM HEALTH CHECK UP TOP MANAGEMENT OF CPSEs

Date:

Name: Age: Sex: M/F
Employee No.:
Name of the Post held:
Brief clinical history, if any:

A: Examination

Physical Systemic

INVESTIGATIONS:

Haemogram

HB%

TLC

DLC

Peripheral Smear

Blood Sugar

F

P.P

Lipid Profile

Total Cholesterol

HDL Cholesterol

LDL Cholesterol

VLDL Cholesterol

Triglyceride

Liver Function Test

Total Bilirubin

Direct Bilirubin

Indirect Bilirubin

SGOT

SGPT

ALK Phosphates

Kidney function Test

Urea

Creatinine

Uric Acid

Electrolytes

Na+

<p><u>Cardiac Profile</u></p> <p>CPK</p> <p>CK-MB</p> <p>LDH</p> <p>SGOT</p> <p><u>Urine</u></p> <p>Routine Microscopic</p> <p>Sugar</p> <p>Albumin</p> <p><u>E.C.G.</u></p> <p><u>X-Ray</u></p> <p><u>Ultra Sound Abdomen</u></p> <p><u>Any other Investigation</u></p> <p><u>Advice</u></p> <p>B. Medical Report of the Officer</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">1. Haemoglobin level of the officer</td> <td>Normal/Low</td> </tr> <tr> <td>2. Blood Sugar Level</td> <td>Satisfactory/Normal/High/Low</td> </tr> <tr> <td>3. Cholesterol level of the officer</td> <td>Normal/High/Low</td> </tr> <tr> <td>4. Liver functioning</td> <td>Satisfactory/Normal/Dysfunctional</td> </tr> <tr> <td>5. Kidney status</td> <td>Normal/Both-One Kidney not functional optimally</td> </tr> <tr> <td>6. Cardiac Status</td> <td>Normal/Enlarged/Blocked/Not normal</td> </tr> </table> <p>C. Summary of Medical Report</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">1. Overall Health of the officer</td> <td></td> </tr> <tr> <td>2. Any ther remarks based on the health check up of the officer</td> <td></td> </tr> <tr> <td>3. Health profile grading</td> <td></td> </tr> </table>	1. Haemoglobin level of the officer	Normal/Low	2. Blood Sugar Level	Satisfactory/Normal/High/Low	3. Cholesterol level of the officer	Normal/High/Low	4. Liver functioning	Satisfactory/Normal/Dysfunctional	5. Kidney status	Normal/Both-One Kidney not functional optimally	6. Cardiac Status	Normal/Enlarged/Blocked/Not normal	1. Overall Health of the officer		2. Any ther remarks based on the health check up of the officer		3. Health profile grading		<p>K</p> <p>Calcium</p> <p>Inorganic Phosphates</p>
1. Haemoglobin level of the officer	Normal/Low																		
2. Blood Sugar Level	Satisfactory/Normal/High/Low																		
3. Cholesterol level of the officer	Normal/High/Low																		
4. Liver functioning	Satisfactory/Normal/Dysfunctional																		
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1. Overall Health of the officer																			
2. Any ther remarks based on the health check up of the officer																			
3. Health profile grading																			
<div style="display: flex; justify-content: space-between;"> <div>Date:</div> <div>Designation</div> </div>																			

Instructions for filling up the Performance Appraisal Report (PAR) of the Chief Executives, Functional Directors, Executive Directors (E9) and General Managers (E8) of Central Public Sector Enterprises (CPSEs)

1. Introduction

The Performance Appraisal Report is an important document. It provides the basic and vital inputs for further development of an officer. The officer reported upon, the Reporting Authority, Reviewing Authority and the Accepting Authority should, therefore, undertake the duty of filling up the form with a high sense of responsibility.

Performance Appraisal should be used as a tool for career planning and training, rather than a mere judgmental exercise. Reporting Authorities should realize that the objective is to develop an officer so that he/she realizes his true potential. It is not meant to be a fault-finding process but a developmental tool. The Reporting Authority, the Reviewing Authority and the Accepting Authority should not shy away from reporting shortcomings in performance, attitudes or overall personality of the officer reported upon. The columns should be filled with due care and attention and after devoting adequate time. Any attempt to fill the report in a casual or superficial manner will be easily discernible to the higher authorities.

Performance appraisal is expected to be used as a tool for human resource development, career planning and training rather than a mere judgemental exercise. Thus the Reporting Authority and the officer reported upon should meet at the beginning of the year to set targets and goals of performance.

2. Section I – Basic information

This Section should be filled up in by the Nodal officer or the Human Resource/Personnel/Administration Department of the CPSE. Period of report could be either the entire reporting year, namely, from 1st of April to 31st March or a part of the year (exceeding 3 months). In case the period of report is a full year, it should be indicated accordingly; for example, 2009-2010. In case the period of report is less than the entire year, specific start and end dates should be indicated, for example, 10th September 2009 to 31st March 2010.

Item No.1: Name of the officer reported upon should be written in capital letters

Item No.8: The period of absence from duty, on leave other than casual leave, training, or for other reasons should be mentioned in this section.

Item No.12: The date of filing the annual property return in the prescribed format is to be mentioned.

Item No.13: This Section provides for annual medical examination of the officer reported upon from an approved medical institution. The health check up is, however, mandatory for all officers above the age of 40. The officer concerned should get his medical examination completed by 30th June every year at a medical institution designated by the concerned CPSE. A suggested format for the medical report is appended to the PAR form. CPSEs may, however, prescribe a separate form provided it includes all the details specified in the form suggested by the Committee. A copy of the summary of the medical report of the officer reported upon is to be attached to the Performance Appraisal Report Form by the Nodal officer or the Human Resource/Personnel/Administration Department of the CPSE before circulating the same to the concerned officer for completing self-appraisal.

3. Section II – Self-appraisal of the officer reported upon

Item No.1: The officer reported upon is first required to give a brief description of his responsibilities, which would normally not exceed about 100 words. Ideally, this should be in bullet form.

Item No.2: In this section, the officer reported upon is required to furnish the details of targets and

achievements unless revised by the new Reporting officer. While the targets for the Chief Executive will be only MOU targets; for others, the targets will be both MOU targets as well as other assigned tasks flowing from MOU targets. All officers are required to develop a work plan for the year and agree upon the same with the Reporting officer. The work plan should incorporate the work related to the area of functioning of the concerned officer and it should emanate from the MOU targets/goals. The work plan would normally consist of quantifiable targets. The exercise is to be carried out at the beginning of the year and finalized by 31st May, positively. The work plans, duly signed by the officer reported upon and the Reporting Authority has to be submitted by 30th June to the nodal officer for record.

After the work plan is prepared, it is possible that the officer reported upon is transferred out. There need not be more than one work plan for one post each year. In case of a change of the Reporting officer during the year, the work plan agreed with the previous Reporting officer would continue to apply unless revised by the new Reporting officer. The contribution of the officer reported upon during the period spent by the officer on the post could be considered for evaluating his performance against the work plan.

Item No.3: This section provides an opportunity for the officer to reflect upon his performance during the year and indicate one item in which he/she had made significant contribution during the year. It is always possible for any officer to make significant contribution even in activities otherwise regarded as routine in nature.

Item No.5: The officer reported upon is required to indicate specific areas in which he/she feels the need to upgrade competencies and attend training programmes. He/she should also mention the specific steps that he/she has taken or proposes to take to upgrade his/her competencies in the identified area.

4. Section III – Appraisal of the Reporting Authority

Item No.1: The Reporting Authority is required to comment on the self-appraisal made by the officer reported upon in Section II, and specifically state whether he/she agrees with the responses relating to accomplishments. In case of disagreement, the Reporting Authority should highlight the specific portions with which he/she is unable to agree to and the reasons for such disagreement.

Item No.6: In this Section, the Reporting Authority is required to record a numerical grade (not more than 2 decimals) in respect of the work output of the officer reported upon against each of the key assigned tasks.

Item No.7: In this section, the Reporting Authority is also required to record a numerical grade (not more than 2 decimals) in respect of personal attributes and functional competencies of the officer reported upon. To ensure that the personal attributes and functional competencies are clearly understood by all stakeholders of the PAR process, the descriptions of each of them are given in Table No.1 below:

Table No.1 – Description of Personal Attributes and Functional Competencies

S. No.	Personal Attributes and Functional Competencies	Description of Personal Attributes and Functional Competencies
i)	Effective communication skills	Communicates articulately and assertively to influence critical stakeholders and strives to achieve a win-win solution.
ii)	Strategic orientation and Decision making ability	Demonstrates comprehensive business and environment awareness including related laws and rules; develops/aligns self and team to the long term business strategy and overall organizational vision. Considers multiple factors while taking decisions for long term organization impact.

iii)	Problem solving and Analytical ability	Analyzing and solving a problem by identifying the elements and relationships of a problem in a systematic way and identifying logical links.
iv)	Ability to develop and motivate team members	Provides direction and support, encourages team work, inspires and motivates team and manages conflict to accomplish group objectives while focusing on capability enhancement of the team
v)	Ability to coordinate and develop collaborative partnerships	Builds collaborative partnerships with internal and external stakeholders and leverages relations through networking to meet organizational objectives.
vi)	Innovation and change orientation	Takes initiative; manages and champions change and learning processes; encourages new and innovative approaches.
vii)	Planning and Organising	Ability to plan and organize own as well as team activities, prioritize and handle contingencies to meet set goals and objectives within defined timelines.
viii)	Result orientation	Demonstrates drive for results and ensures that operating practices and performance results adhere to high standards of efficiency and excellence
ix)	Business Acumen	Understands the tie between revenue and expenses; utilizes financial data and information to make sound business decisions that promote cost consciousness, profitability, revenue and growth.
x)	Role based functional competency	Demonstrates knowledge of rules and laws, systems and processes, functional domain and IT applications in order to carry out the assigned role with conviction

In order to bring in more objectivity in the assessment of the attributes and competencies and minimize bias, benchmarking for assigning grades to various Personal Attributes and Functional Competencies are indicated in the Table No.2 given below:-

Table No. 2 – Benchmarking for assigning grades to Personal Attributes and Functional Competencies

Grade	Description of the benchmark	Details of Behaviour competencies
1	Consistently exceeds expectations	Demonstrates exemplary behaviours, consistently in all situations far above that are required for effectiveness in the current role. Demonstrates outstanding professional attributes, which indicates strong potential for rapid future development.
2	Consistently meets expectations	Consistently demonstrates behaviours which surpass those required for effectiveness in current role. Demonstrates professional skills that indicate strong potential for future advancement.
3	Meets expectations most of the times	Regularly demonstrates behaviours at the level required for effectiveness in current role. Displays the required level of proficiency for this competency, exceeding expectations at times.

4	Partially meets expectations	Inconsistently or partially demonstrates behaviours required for effectiveness in current role; however significant progress is required to achieve the expected proficiency level for this competency.
5	Consistently does not meet expectations	Does not sufficiently demonstrate behaviours required for effectiveness in current role and immediate improvement is needed to achieve the required proficiency level for this competency.

Item No.8: In this section, the Reporting Authority is required to comment on the integrity of the officer reported upon. In recording remarks on integrity, he/she need not limit him/herself only to matters relating to financial integrity but would also take into account any violation, by the concerned officer, of the code of conduct laid down by the Board of the CPSE. The following procedure should be followed in filling up column relating to integrity: (i) If the Officer's integrity is beyond doubt, it may be stated; (ii) If there is any doubt or suspicion, a separate secret note should be recorded and sent to the Reviewing Authority after recording this fact in the column relating to integrity. (iii) Where it is not possible either to certify the integrity or to record secret note, the Reporting Authority should state that he/she has not received anything against the officer reported upon.

The Reviewing Authority will ensure that the follow up action on the secret note submitted by the Reporting Authority is taken expeditiously. If, as a result of the follow up action, the doubts or suspicions are cleared, the integrity of the officer reported upon should be certified and an entry made accordingly by the Reviewing Authority in the Performance Appraisal Report. If the doubts or suspicions are confirmed, this fact should also be recorded by the Reviewing Authority in the PAR. If as a result of the follow up action, the doubts or suspicions are neither cleared nor confirmed, the officer's conduct should be watched for a further period of one year and the outcome should be recorded in the Performance Appraisal Report by the Reviewing Authority. The Nodal officer shall communicate the final decision on the integrity of the officer reported upon to the officer concerned as well as the Reporting Authority.

Item No.9: The Reporting Authority is also required to record a descriptive pen-picture on the overall qualities of the officer reported upon and his performance and this should be consistent with the numerical grade given to the officer. This should try to cover overall qualities of the officer, including areas of strengths. The pen-picture is also meant to be a qualitative supplement to the quantitative assessments made in earlier part of this section.

Item No.10: Finally, the Reporting Authority is required to record an overall grade. This should also be done on a scale of 1-5, with 1 referring to the best grade and 5 to the lowest. This should be computed by adding the weighted average grade indicated in Item no. 6 & 7.

5. Section IV – Review by the Reviewing Authority

Item No.1: This Section is to be filled up by the Reviewing Authority. He/she is required to indicate whether he/she agrees with the assessments made by the Reporting officer. In case of disagreement, he/she may record his own assessment about the work output and/or any of the attributes in the column specifically provided for the purpose in Item No.6 and/or Item No.7 of Section III. The numerical grades should not be given in more than 2 decimals.

Item No.3: In case of disagreement with the assessment made by the Reporting Authority, the Reviewing Authority should record the details of disagreement and the reasons for the same in this section.

Item No.4: In this section, the Reviewing Authority should comment on the pen picture written by the Reporting Authority.

Item No.5: Finally, the Reviewing Authority is required to record in this section an overall grade in the scale of 1-5 with 1 referring to the best grade and 5 to the lowest. This should be computed by adding the weighted average grade indicated in Item no. 6 & 7 of Section III.

6. Section V – Acceptance by the Accepting Authority

Item No.1: This Section is to be filled by the Accepting Authority. He/she is required to indicate whether he/she agrees with the assessments made by the Reporting Authority/Reviewing Authority.

Item No.2: In case of difference of opinion, the Accepting Authority is required to give details and reasons for the same in this section.

Item No.3: Finally, the Accepting Authority is required to record in this section an overall grade in not more than two decimals in the scale of 1-5 with 1.00 referring to the best grade and 5.00 to the lowest. In case the overall grade given to the officer reported upon by the Reporting/Reviewing Authority is not consistent with the pen picture given by them, the Accepting Authority should make suitable changes to the overall grade to make them consistent.

7. Section VI: Review of the overall grade by the Acceptance Authority

In this section, the Nodal officer will fill in the form, the final decision of the Acceptance Authority on the representation, if any, made by the officer reported upon.

8. Numerical Grades

At several places, numerical grades are to be awarded by Reporting/Reviewing Authorities. It is expected that any grading of 4.00 or 5.00 (against work output or personal attributes and functional competencies or overall grade) would be adequately justified in the pen-picture by way of specific failures and similarly, any grade of 1.00 or 2.00 would be justified with respect to specific accomplishments. In awarding a numerical grade, the Reporting, Reviewing and Accepting Authorities should rate the officer against a larger population of his peers that may be currently working under them or would have worked under them in the past.

9. Weightage & Mean:

Weights have been assigned to work output, personal attributes and functional competencies. The overall grade in not more than 2 decimals will be based on the addition of the weighted mean value of each group of indicators.

10. Benchmarking of the Grade:

The overall grade obtained by the officer shall be benchmarked as under:

Outstanding	1.00 - 1.50
Very Good	1.51 - 2.50
Good	2.51 - 3.50
Fair	3.51 - 4.50
Poor	4.51 - 5.00

PROFORMA FOR ANNUAL PROPERTY RETURN

APPENDIX I to ANNEX II

Name of the Officer:

Employee No. :

Name of the post held :

	1	S. NO.
	2	Description of Property
	3	Precise location (Name of Distt., Division. Taluk & Village inwhich the property is situated and also its distinctive number, etc.
	4	Area of land (in case of landed property, etc.)
	5	Nature of land (in case of landed property etc.
	6	Extent of interest
	7	If not in own name, state in whose name held, his her relationship, if any, to the Governments servant
	8	Date of acquisition
	9	How acquired (whether by purchase, mortgage, lease in heritance, gifted or otherwise and name with details person(s) from whom acquired addresses and connection of the Govt. servant, if any, with the person(s) concerned (Please see not I below)
	10	Value of property (see not 2 below)
	11	Particular of sanction of prescribed authority, if any
	12	Total annual income from the property
	13	Remarks

[D.O No. 5(1)/2000-GM Dated 5th April 2010]

3. Appraisal of top management incumbents of Central Public Sector Enterprises (CPSEs).

This is in furtherance to the guidelines issued by this Department vide D.O. letter of even number dated 5th April, 2010 regarding Annual Performance Appraisal of top management incumbents of Central Public Sector Enterprises (CPSEs). Corrigendum in the Performance Appraisal Report (PAR) format indicated below may be noted for compliance:-

Page 21, serial No. 7 - PAR format titled “Assessment of Personal Attributes and Functional Competencies”

2. The following footnotes should be added below the table at Serial No. 7:
 - a. **Personal Attributes and Functional Competencies** should be judged in the backdrop of Leadership ability to lead by example, particularly in challenging circumstances.
 - b. Item nos. (iv) and (v) on the *team work* should be evaluated based on the ability of the incumbent to perform as a member of a team and enhance team performance.
3. A sample copy of the revised page is enclosed.
4. The above position may be suitably reflected in the Annual Performance Appraisal of top management incumbents of CPSEs for the year 2010-11 onwards.
7. Assessment of Personal Attributes and Functional Competencies (Grades should be assigned on a scale of 1-5, in maximum of 2 decimal numbers, with 1.00 referring to the best grade and 5.00 to the lowest grade. Weightage to this Section will be 255).

S. No.	Particulars of Personal Attributes and Functional Competencies	Grade by Reporting Authority	Grade by Reviewing Authority	Initials of Reviewing Authority
i.	Effective communication skills			
ii.	Strategic orientation and Decision making ability			
iii.	Problem solving and Analytical ability			
iv.	Ability to develop and motivate team members			
v.	Ability to coordinate and develop collaborative partnerships			
vi.	Innovation and change orientation			
vii.	Planning and Organising			
viii.	Result orientation			
ix.	Business Acumen			
x.	Role based functional competency			
Total (i to x)				
Overall Grading of Personal Attributes and Functional competencies (Total/40)				

All the personal attributes and functional competencies (S. No. i to x) carry equal weights. Overall grading is to be computed by dividing the total grade by 40 and rounding off to 2 decimals.

- a. Personal Attributes and Functional Competencies should be judged in the backdrop of Leadership ability to lead by example, particularly in challenging circumstances.
 - b. Item nos. iv and v on the team work should be evaluated based on the ability of the incumbent to perform as a member of a team and enhance team performance.
8. Integrity (Please comment on the integrity of the officer reported upon by choosing any one of the following options.):
- i. Beyond doubt
 - ii. Integrity of the officer is doubtful. A separate secret note
 - iii. Nothing adverse has been received about the officer.

[DPE OM No. 5(1)/2000-GM Dated 6th July 2010]

4. Procedure and Guidelines for writing Annual Performance Appraisal Reports (APARs) of top management incumbents of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to invite a reference to the guidelines issued by this Department vide its DO letter dated 5th April, 2010 (available on DPE website at the following link : http://dpe.nic.in/sites/upload_files/dpe/files/newgl/glch02f4.pdf) on the subject mentioned above.

2. The above guidelines are being implemented from the year 2010-11. With a view to ensure timely completion of APAR writing process as well as recording of the remarks by reporting/reviewing and accepting authority in the APARs, the implementation of the above guidelines was reviewed and the following changes in the existing guidelines have been approved.

- (i) The time schedule prescribed in Table No. 2 of para 4.1 of the existing guidelines has been advanced for the first two activities and the new cut-off dates would be as under:

Table No.2 - Schedule of commencement and completion of PARs

S. No.	Activity	Earlier Cut-off Date	New Cut-off Date
i)	Finalization of targets and relative weights by the Reporting Authority in consultation with the officer reported upon and sending a copy thereof to the Nodal officer for record	30th June	15th May
ii)	Nodal Officer will circulate one copy of blank PAR form to the officer reported upon specifying the Reporting, Reviewing and Accepting Authorities	30th September	31st July

All references to the above time-lines in the Guidelines would stand accordingly modified.

- (ii) Appendix I of the existing guidelines dated 5.4.2010 detailing the format of Annual Property return and all references to the format in the guidelines stands removed. The property return

will be filed as per procedure and format laid down in this regard and the date of filing property return will continue to get indicated in Col. 12 of the Personal Data.

- (iii) Appendix II of the existing guidelines dated 5.4.2010 detailing Medical checkup reports for various tests and all references to it stand deleted. Only part (C) of the appendix, i.e. Summary of the medical report is retained.
- (iv) A new para 6.3.1 is added after para 6.3 of the existing guidelines dated 5.4.2010 worded as under:

"In case the officer reported upon is getting retired before the time of initiation of APAR for that year, the APAR of concerned officer may be initiated, i.e. he/she may submit self-appraisal report, within one month of his/her retirement and MOU ratings may be included in APAR as and when they are available so that APAR could be then reviewed/accepted as per laid down timelines.
- (v) The following Explanation is added at the end of para 6 of the guidelines.

Explanation : For the purpose of these guidelines, a "Minister" shall not be construed as having demitted the office if he continues to be a Minister in the Council of Ministers with a different portfolio or in the Council of Ministers immediately reconstituted after the previous Council of Ministers of which he was Minister with the same or a different portfolio provided the Prime Minister, continues in office.

- (vi) A new para 6.7 is added after existing para 6.6 (succeeding paras in the existing guidelines accordingly stand renumbered) worded as under:

"6.7 Where the reporting authority has not seen, but the reviewing authority has seen the performance of a member of the officer reported upon for at least three months during the period for which the performance appraisal report is to be written, the reviewing authority shall write the performance appraisal report of any such officer for any such period. Where, both the reporting authority and the reviewing authority have not seen and the accepting authority has seen the performance of the officer reported upon for at least three months during the period for which the performance appraisal report is to be written, the accepting authority shall write the performance appraisal of any such officer during such period. Where the reporting authority, the reviewing authority and the accepting authority have not seen the performance of the officer reported upon for at least three months during the period for which the report is to be written, the Nodal Officer shall make an entry to that effect in the performance appraisal report for any such period".
- (vii) The administrative Ministries/Departments concerned should advise Maharatna, Navratna, Miniratna and other profit making CPSEs under their respective administrative control to adopt IT enabled APAR system from the year 2015-16 on a trial basis and to fully implement the IT enabled APAR system depending upon the experience gained from such trials.

3. All administrative Ministries/Departments are requested to take necessary action and also bring the contents of this Office Memorandum to the notice of CPSEs under their respective administrative jurisdiction for information and compliance under intimation to this Department.

(DPE F No. 18(1)/2013-GM dated 2nd March 2015)

(m) Reservation Policies

1. **Applicability of instructions regarding reservation to SC/ ST/ OBC/ Disability & Ex-servicemen as issued by Government Ministries / Departments, to Central Public Sector Enterprises (CPSEs).**

The issues of applicability of instructions regarding reservation to SC/ ST/ OBC/ Disability & Ex-servicemen as issued by Government Ministries / Departments to CPSEs are reviewed by Department of Public Enterprises (DPE) and it was found that in general instructions on reservation matters as issued by Government departments are extended to CPSEs as mutatis mutandis.

As such, it is decided that instructions as issued by Government in respect of reservations to SC/ ST/ OBC/ Disability & Ex-servicemen are to be taken as mutatis mutandis extended to all the CPSEs concerned unless specifically specified otherwise by DPE. List of such OM's / instructions extended to CPSEs is Annexed.

LIST OF OM'S / INSTRUCTIONS EXTENDED TO CPSES

Reservation policies

1. Presidential Directives on Reservation for SC/ST in PSEs. (OM No. 6/19/89-BPE (SC/ST Cell) dated 25.04.1991).

Subsequent instructions on Reservation for SC/ST

1. DPE's OM No. 6/13/96-DPE (SC/ST Cell) dated 17.03.1997 circulating DOPT's OM No. 20011/1/ 96-Estt. (D) dated 30.01.1997 regarding Seniority of SC/ST officers promoted earlier vis-a-vis general candidates promoted later.
2. DPE's OM No. 6/20/97-DPE (SC/ST Cell) dated 28.07.1997 circulating DOPT's OM No. 360 12/ 2/ 96-Estt. (Res.) dated 02.07.1997 Regarding post-based roster.
3. DOPT's OM No. 36017/1/2004-Estt. (Res.) dt. 05.07.05 regarding revised percentage in local recruitment.
4. Model Roster-Post based-Promotion
5. Model Roster-Post based-Direct Recruitment
5. DPE's OM No. 6/4/98-DPE dated 12.01.1998 circulating DOPT's OM No. 36012/23/98 Estt. (Res.) dated 22.07.1997 regarding reservation in promotion-Prescription of lower qualifying marks/lesser standard of evaluation.
6. DPE's OM No. 6/20/97 -OPE (SC/ST Cell) dated 05.09.1997 circulating DOPT's OM No. 36012/5/ 97 Estt. (Res.) dated 29.8.1997 Regarding 50% limit.
7. DPE's OM No. 6/4/98-OPE (SC/ST Cell) dated 09.01.1998 circulating DOPT's OM No. 36012/18/95 Estt.(Res.) dated 13.08.1997 regarding Reservation for SC/ST in promotion.
8. DPE's OM No. 6/21/97-DPE (SC/ST Cell) dated 09.01.1998 circulating DOPT's OM No. 36 024/5/ 97-Estt. (Res) dated 05.01.1998 Regarding allowing SC/ST Employees to write to National Commission for SC/ST directly.
9. DPE's OM No. 6/17/98-DPE (SC/ST Cell) dated 23.09.1998 circulating DOPT's OM No. 36011/1/ 98-Estt. (Res.) dated 01.07.1998 regarding Relaxations and concessions for SC/STs-clarification.

10. DoPT's OM No. 36036/2/97-Estt. (Res.) dated 30.11.1998 Regarding Role of National Commission for SCs and STs.
11. DPE's OM No. 6/20/97-DPE (SC/ST Cell) dated 27.07.2000 circulating DOPT's OM No. 36012/5/97-Estt. (Res.) Vol. II dated 20.07.2000 regarding Treatment of Backlog as distinct group.
12. DPE's OM No. 6/4/98-DPE (SC/ST Cell) dated 11th October, 2000 circulating DOPT's OM No. 36012/23/96-Estt. (Res.) Vol-II dated 03.10.2000 Regarding Reservation in Promotion.
13. DPE's OM No. 6/13/96-DPE (SC/ST) dated 26.02.2002 circulating DOPT's OM No. 20011/1/2001-Estt. (D) dated 21.01.2002 regarding Seniority of SC/ST Govt. Servants on Promotion by virtue of rule of Reservation/Roster.
14. DOPT's OM No. 36028/17/2001 Estt. (Res.) dated 11/07/2002 regarding Treatment of SCs/STs candidates Promoted on their own merit, in the Reservation Rosters.
15. DOPT's OM No. 36028/17/2004 -Estt.(Res.) dt. 31.01.2005 regarding Treatment of SC/ST Candidates Promoted on their own merit.
16. DOPT's OM No. 36012/17/2002 -Estt. (Res.) dated 06.11.2003 regarding Non-permissibility of Exchange of Reservation between SCs and STs.
17. DOPTs OM No. 43011/10/2002- Estt. (Res.) dated 19.12.2003 regarding Annual Report regarding representation of SCs,STs and OBCs in Central Govt. Services.
18. DPE' OM No. 6/11/2004-DPE (SC/ST Cell) dated 08.11.2004 regarding Concession to SCs/STs in posts filled by promotion by Selection-posts within Group 'A' (Class-I).
19. DPE's OM No. 24(4)/99-DPE(SC/ST Cell) -GL-023(GM) dated 29.5.2000 regarding Recruitment of Management Trainees in PSUs.
20. DOPTs OM. No. 22011/2/2002 Estt. (D) dt. 06.01.2006 Regarding Review of Size of Zone of Consideration.
21. DOPTs OM. No. 42011/22/2006-Estt. (Res) dt. 29.03.2002 Regarding Action against Govt servants who get appointment on the basis of False SC/ST/OBS certification.
22. DOPTs OM No. 36033/2/2006- Estt. (Res.) dt. 12.10.2007 Regarding Special efforts to fill up the Reserved Vacancies of SCs, STs and OBCs.
23. DOPT's OM No. 36028/21/2008- Estt. (Res.) dt. 29.07.2008 regarding Reservation for SCs/STs in posts filled by Promotion- grading of SC/ST officers.
24. Reservation for SCs/STs for appointment in Public Enterprises -Concessions to SCs & STs in posts filled by Promotion by selection (OM No. 6/11/2004-DPE(SC/ST Cell) Dt. 08-11-2004).
25. Reservation for SCs/STs for appointment in Public Enterprises -Concessions to SCs & STs in posts filled by Promotion by selection (OM No. 6/11/2004-DPE (SC/ST Cell) Dt. 31-01-2014).
26. Special Recruitment Drive (SRD) for filling of backlog reserved vacancies of SC, ST, OBCs. DPE OM No. 6/12/2008-DPE (SC/ST Cell) dated 25-..
27. Representation of SC, ST, OBC, Minorities and the Women on Selection Board / Committee DPE OM No. DPE-GM/0038/2014-GM dated 12-06-2014

Reservation for OBCs

28. DPEs OM No. 6/45/94-DPE (SC/ST Cell) dated 27.07.1995 regarding Presidential Directive on Reservation for OBCs in PSEs.
29. DPE's OM No. 6/15/2003-DPE(SC/ST Cell) dated 14.08.2003 circulating DOPTs OM dated 25.07.2003 regarding Validity period of OBC certificates.
30. DOPTs OM No. 36033/5/2004-Estt. (Res.) dated 14.10.2004 regarding Clarification on Creamy layer amongst OBCs.
31. DOPTs OM No. 36033/2/2006-Estt. (Res) dated 25.04.2006 regarding Collection of information about Backlog reserved vacancies of OBCs.
32. DOPTs OM No. 36033/1/2008- Estt. (Res) dt. 15.07.2008 regarding Treatment of backlog reserved vacancies of SCs,STs & OBCs as a distinct group and non-applicability of 50 percent ceiling thereon.
33. DOPTs OM No. 36033/3/2004- Estt. (Res.) dt. 14.10.2008 Regarding Revision of Income criteria to exclude Creamy Layer from the preview of reservation for OBCs.
34. Reservation For Other Backward Classes In Civil Posts And Services Under The Central Public Sector Enterprises-Sub-Quota For Minority Community (DPE OM No.6/6/2011-DPE(SC/ST Cell) Dated 2nd January, 2012).
35. Special Recruitment Drive (SRD) for filling of backlog reserved vacancies of SC, ST, OBCs. DPE OM No. 6/12/2008-DPE (SC/ST Cell) dated 25.02.2009.
36. Implementation of Prime Minister's New 15-Point Programme for the welfare of Minorities OM No. 6/4/2007-DPE(SC/ST Cell) dated 07-12-2011
37. Prime Minister's New 15-Point Programme for the welfare of Minorities- Measures to give special consideration to minorities in recruitment OM No. 6/4/2007-DPE(SC/ST Cell) dated 13-08-2013

Reservation for Disabled Persons

38. Reservation for the physically handicapped persons in group 'A' and Group 'B' posts/ services under the Central Govt.,PSUs(DPE's OM No. 6/21/95-DPE (SC/ST Cell) dated 11.03.1997 circulating DOPT's OM No. 36035/7/95-Estt. (SCT) dated 18.02.1997).
39. Reservation for the physically handicapped in the posts filled by Promotion (DPE's OM No. 6/21/95-DPE (SC/ST Cell) dated 16.03.1998 circulating DOPT's OM No. 36035/7/95-Estt. (SCT) dated 18.02.1997).
40. Reservation for persons with disabilities in group 'A' , B,C & D identified posts/services- Revised Procedure for filling up of the vacancies (DPE's OM No.6/21/95-DPE (SC/ST Cell) dated 27.07.1999 circulating DOPT's OM No. 36035/16/98-Estt. (Res) dated 13.07.1999).
41. Reservation for the Persons with Disabilities in group 'A' and Group 'B' posts/ services under the Central Govt. - Clarification regarding identification of posts (DPE's OM No. 6/21/95-DPE (SC/ST Cell) dated 23.09.1998 circulating DOPT's OM No. 36035/14/98-Estt. (Res) dated 28.08.1998).
42. Furnishing of a Certificate to the Recruiting Agencies while making recruitment to the posts identified for being manned by Persons With disabilities (DPE's OM NO. 6/5/99-DPE (SC/ST Cell) dated 21.10.1999 circulating DOPT's OM No. 36035/19/99-Estt. (Res) dated 17.09.1999).

43. Clarification as to whether 3% reservation for persons with disabilities would be with reference to identified posts only or to the total sanctioned strength in the cadre (DPE's OM No. 6/21/95-DPE (SC/ST Cell) dated 04.04.2000 circulating DOPT's OM No. 36035/4/99-Estt. (Res) dated 29-03-2000).
44. Reservation for the Physically handicapped in the posts filled by promotion. (DPE's OM NO. 6/21/95-DPE (SC/ST Cell) dated 11.04.2000 circulating DOPT's OM No. 36035/3/97-Estt. (Res) dated 04.07.1997)'.
45. Non-Implementation of the instructions issued by DoPT relating to reservation for Person with disabilities by PSUs and formulation of Action Plan for filling up of Backlog vacancies. (DPE's OM No. 6/21/95-DPE (SC/ST Cell) dated 11.09.2000 circulating DOPT's OM No. 36035/ 4/2000-Estt. (Res) dated 29.08.2000).
46. Posting of Govt. employees who have children with hearing impairment or multiple disabilities (DOPT's OM No. 43019/28/86-Estt. (D) dated 18.02.2000).
47. Implementation of reservation in Services under Person With Disabilities in PSUs (DPE's OM No. 6/21/95-DPE (SC/ST Cell) dated 23.11.2000).
48. Transport allowance to Blind and Orthopedically handicapped employees of CPSUs (DPE's OM No. 6/7/2002-DPE (SC/ST Cell) dated 05.09.2003).
49. Consolidated Instructions - Reservation for the Persons with Disabilities (DOPT's OM No. 36035/3/2004-Estt. (Res) dated 29.12.2005).
50. Benefit of reservation to Person With Disabilities who aquire Disabilities after entering into Govt. Services (DOPT's OM No. 36035/3/2009-Estt. (Res) dated 10.06.2009).
51. Forwarding of Applications of Govt. Servants Suffering from Disabilities for Employment elsewhere (DOPT's OM No. 36035/7/2008-Estt. (Res) dated 30.03.2010).
52. Transport Allowance To Blind or Orthopedically Handicapped Employees of Central Public Sector Enterprises. (DPE OM No.6(7)/2002-DPE(SC/ST Cell) Dated 15th November, 2011).
53. Reservation for persons with disabilities-Computation of reservation-implementation of the judgement of Hon'ble supreme court in the matter of Union of India & Anr. Vs. National Federation. (DPE OM No.6(9)/2005-DPE(SC/ST Cell) Dated 16th December ,2013 forwarded therewith DoPT's OM No. 36012/24/2009-Estt.(Res) dated 3rd December 2013).
54. Reservation for persons with disabilities-Computation of reservation-implementation of the judgement of Hon'ble supreme court in the matter of Union of India & Anr. Vs. National Federation. (DPE OM No.6(9)/2013-DPE(SC/ST Cell) Dated 21st February , 2014 forwarded therewith DoPT's OM No. 36012/24/2009-Estt.(Res) dated 14th February, 2014.)
55. Grant of Transport Allowance to Central Government employees Extension of benefit of Transport allowance at double the Normal Rates to Deaf and dumb Employees-Implementation of the Order of the Apex court. (DPE OM No.6(9)/2013-DPE(SC/ST Cell) Dated 6th March , 2014 forwarded therewith D/o Expenditure's OM No.21(2)/2011-E.II(B) dated 19th February, 2014.)
56. Reservation for persons with disabilities-Computation of reservation-implementation of the judgement of Hon'ble supreme court in the matter of Union of India & Anr. Vs. National Federation. (DPE OM

No.6(9)/2005-DPE(SC/ST Cell) Dated 26th March, 2014 forwarded therewith DoPT's OM No. 36012/24/2009-Estt.(Res) dated 20th March, 2014.)

57. Reservation for the Persons with Disabilities OM No. 6(9)/2006-DPE (SC/ST Cell). dated 16-May-2006
58. Reservation for the Persons with Disabilities in Central Public Sector Enterprises OM No. 6(9)/2005-DPE (SC/ST Cell). dated 24-December-2008
59. Judgement of the High Court of Delhi W P (C) No. 15828/2006- National Federation of Blind Vs. Union of India & Ors. OM No. 6(9)/2005-DPE (SC/ST Cell). dated 05-August-2009
60. Selection of candidates with visual impairment (low vision) during campus placements organized by Central Public Sector Enterprises (CPSEs) at Engineering / Management Institutes OM No. 6(9)/2005-DPE (SC/ST Cell). dated 09-December-2010
61. Guidelines for providing certain facilities in respect of persons with disabilities (PWD) who are already employed in Government for efficient performance of their duties. OM No. 6(9)/2006-DPE (SC/ST Cell). dated 07-April-2014
62. Complaint of dated 22-10-2012 of Sh. Ravindra Kumar Sood regarding 3% reservation to persons with disabilities in campus placement by the Central Public Sector Undertakings. OM No. 6(9)/2005-DPE (SC/ST Cell). dated 03-June-2014
63. Posting of Government employees who have differently abled dependents. OM No. 6(9)/2014-DPE (SC/ST Cell). dated 27 -June-2014

RESERVATION FOR EX-SERVICEMEN

64. Reservation of posts in Public Enterprises for Ex-servicemen and Dependents of those killed in Action (BPE's OM No 6/55/79- BPE (GM-I) dt. 22.01.1980 enclosing there with DOPT's Notification No. 39016/7/78-Estt. (C) dt. 10.05.1979)
65. Reservation of posts in Public Enterprises for Ex-servicemen and Dependents of those killed in Action (BPE's OM No. 6/55/79. BPE (GM -I) dt, 13.03.1980)
66. Reservation of posts in Public Enterprises for Ex-servicemen and Dependents of those killed in Action (BPE's OM NO. 6/8/1981-BPE (GM- I) dt. 27.06.1981).
67. Recruitment of Staff against vacancies reserved for Ex-Servicemen through Zila Sainik Board/ Directorate General Resettlement (BPE's OM No. 6/55/79- BPE (GM -I) dt. 17.12.1981 forwarding there with DOPT's OM. No. 14024/3/81 Estt. (D) dt. 04.12.1981).
68. Absorption of ex-servicemen trained under the "On the Job Training Scheme" Relaxation of minimum Educational qualification (BPE's OM. No. 6/20/80-BPE (SC/ST) dt. 16.04.1983 enclosing therewith Extracts from DoPAR's OM No. 39016/7/78. Estt. (C) dt. 10/19.05.1979).
69. Liaison Officers for reservation Matters relating to Physically Handicapped/ Ex-Servicemen/OBCs (DoPT's OM No. 36035/8/92- Estt. (SCT) dt. 10.11.1994).
70. Reservation Available for Ex.-Servicemen in Group-D, C & Specified category of Group-B posts/ services under the Central Govt. - Revised Procedure for filling the vacancies (DOPT's OM No. 36012/58/92-Estt (SCT) dt. 01.12.1994).

[DPE OM No. 20(10)/99-DPE-GM-Part-2014-FTS-1517 Dated 25th February 2015]

CHAPTER III

FINANCIAL POLICIES

1 Holding of shares in Government Companies in the names of the President of India and the Governor of a State.

The undersigned is directed to refer to this Department's Office Memorandum No.15/32/65-IGC dated the 13th October, 1965 on the above subject and to state that certain Ministries of the Government of India and State Governments have, on receipt of the above communication, raised a query as to whether the President or the Governor of a State will be deemed to be a corporation sole for purposes of holding shares in Government companies. This matter has, therefore, been examined in detail and the clarification as under is given for information and guidance of all concerned.

2. This Department had advised in the above Office Memorandum that shares in a Government company can not be registered in the name of a public office which is not a corporation sole as understood in law. Thus the shares in a Company can not be held in the name of the Collector of Central Excise or a Secretary to the Government of India, etc. This position may be followed in the case of holders of all public offices save as mentioned below.

3. The President or the Governor of a State functioning under the Constitution is not a corporated sole, just as the Administrator-General constituted under the Administrators General Act 1963, is. As provided by Article 77(1) and 166(1) of the Constitution, all executive action of the Government of India or the Government of a State shall be expressed to be taken in the name of the President or the Governor, as the case may be. "Executive action" or "executive power" has been broadly stated to be "the residue of Governmental functions that remain after legislative and judicial functions are taken away." Further it appears that the said articles are confined to cases where the executive action is required to be expressed in the shape of a formal order or notification or any other instrument. When an executive decision affects an outsider or is required to be officially notified or communicated, it should be normally expressed in the form mentioned in these Articles, that is, in the name of the President or the Governor, as the case may be.

4. The acquisition or holding of shares in a company by the Government of India or a State Government is "executive action" as contemplated by Articles 77(1) and 166(1) of the Constitution and can, therefore, be made in the name of the President of India or the Governor of the State, as the case may be.

5. In view of the above, shares in a Government company can be held in the name of the President of India or the Governor of a State.

6. The clarification as above is brought to the notice of all Ministries of the Government of India and State Governments for their information and guidance.

(D/o Company Affairs No.15/32/65-IGC dated 30/09/1966)

2 Banking arrangements of Central Government Public Enterprises.

Reference is invited to this office Memorandum No.BPE/1(86)/ Adv(F)/72 dated 7th May 1973 and OM No. BPE/1(24)/87-Fin (PPU) dated 10th April, 1987 on the subject cited (copy enclosed) above. The extant policy that Public Sector Enterprises should have banking arrangements only with public sector banks

has since been reviewed and it has now been decided that Central Public Sector Enterprises can undertake normal banking transactions with any bank of their choice including foreign/private sector banks.

Enclosure: Copy of OM No. BPE/1(24)/87-Fin.(PPU) dt.. 10th April, 1987

Regarding: Banking arrangements and financing of working capital requirements of Public Sector Enterprises.

A reference is invited to this office O.M. No. BPE/1(86)/Adv.(F)/72 dated 7th May, 1973 on the subjected cited above (copy enclosed).

1. Subsequent to the issue of the above instructions, six more banks were nationalized in 1980. These six Banks, namely Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab & Sind Bank and Vijaya Bank would be in a position to provide adequate banking facilities to any public undertaking which is desirous of having banking arrangements with these banks. Public Sector Undertakings can have dealings with these banks also according to their needs and commercial judgements.

2. Administrative Ministries/Departments are requested to bring these instructions to the notice of all Public Sector Undertakings under their control for information and necessary action.

Enclosure: Copy of OM No.DPE/1(86)/Adv.(F)/72 dated 7th May 1973

Regarding: Banking arrangements and financing of working capitals requirements of public sector enterprises.

A reference is invited to O. M. No. F.7(4)/BOIII/72 dated the 22nd May, 1972, from the Department of Banking and O.M. No. BPE/1(49)/Adv.(F)/71 dated the 24th July, 1971, from the Bureau of Public Enterprises as the subject indicated above.

2. The provisions of the O.M's require inter alia that:—

- i. All public sector enterprises should maintain their accounts only with the State Bank of India including its subsidiaries or with any of the 14 Nationalized Banks;
- ii. If any existing undertaking needs additional working Capital requirement it should in the first instance approach its principal banker and if that bank finds it difficult to provide additional requirement from its own resources, it will in consultation with the undertaking, initiate arrangements for participation with the public sector banks.

3. According to a review made by the Bureau, certain enterprises are still maintaining banks arrangements and cash credit facilities with non-nationalized banks.

4. Ministry of Commerce, etc., are requested to examine the necessity for continuing the banking account with non-nationalized banks which some of the public sector undertakings are operating at present.

(DPE O.M. No./14(19)/ 90-Fin. dated 03/01/1992)

3 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 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 14/12/1994)

4 Guidelines on 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 decisions of the public sector enterprises in the matter of investment of surplus funds. The Committee had desired that clear guidelines be laid down about investment of surplus funds by public sector enterprises in order to ensure that no misuse of PSU funds recurs. In pursuance of the observations of the JPC, the Government had issued detailed guidelines vide O.M. of even number dated 14th December, 1994. However, as the guidelines dated 14th December, 1994 was a broad outline of the policies in the matter of investment of surplus funds, a need for clarification on specific points has been felt in view of certain queries made by the PSEs and the financial institutions. The clarifications in continuation of the earlier guidelines of 14.12.1994 are given below:

- a. The guidelines dated 14th December, 1994 stipulate in para 2(i) and 2(ii) that there should be no element of speculation on the yield in respect of investments made by PSUs. It is clarified that PSUs therefore will not be allowed to invest their surplus funds in UTI and other public and private mutual funds as they are equity based and are, therefore, inherently risky.
- b. Para 2(iii) of the earlier guidelines indicated that there should be a proper commercial appreciation before any investment decision of surplus funds is taken, and that the availability of surplus funds may be worked out for a minimum period of one year at any point of time. The Government now feels that as the availability of surplus funds with the PSUs is for short duration, the preparation of advance estimates of surplus funds for one year may be difficult. The public enterprises are, therefore, advised to make their best estimates of the availability of surplus funds in consultation with their administrative Ministry.
- c. Para 2(iv) of the earlier guidelines states that the remaining period of maturity of any instrument of investment should not be exceeding one year from the date of investment where the investment is made in an instrument already issued. The Government have now decided that while one year ceiling on the remaining maturity period shall hold good for the general instruments, the public enterprises can also select treasury bills and Government of India securities up to three years maturity period for the investment of surplus funds.
- d. The guidelines of December, 1994 have stated that the Term Deposits may be made with any scheduled commercial bank (i.e. bank incorporated in India) and with a paid up capital of atleast Rs.100 Crores, fulfilling the capital adequacy norm as prescribed by the RBI from time to time. It has now been decided that instead of the condition of Rs.100 Crores as paid up capital there will be a condition of Rs.100 Crores as 'net worth' of the bank, i.e. the paid up capital plus free reserves of the bank should not be less than Rs.100 Crores.

- e. The guidelines of 14th December, 1994 under Para 3(ii) envisage that the investment may be made in 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, Deposit Scheme or similar instruments issued by scheduled commercial bank/term lending institutions including their subsidiaries as well as commercial paper of corporates. It is clarified that credit ratings issued by rating agencies are broadly classified as investment grade and non-investment grade. Since “highest credit rating” would mean the top most in the investment grade, which would limit choice and probably lower the overall yield, PSUs will now be free to invest in instruments falling under investment credit rating.
- f. The earlier guidelines also envisage that inter-corporate loans shall be permissible to be lent only to Central PSUs which have obtained highest credit rating awarded by one of the established Credit Rating Agencies for borrowing for the corresponding period. The Government reiterate that inter-corporate borrowing programme can also be credit rated by rating agencies and the public enterprises may invest surplus funds only on the basis of such ratings. This would help to avoid the instances of the enterprise providing friendly support to other enterprise on considerations other than safety.

2. The public enterprises are advised to keep the above clarifications in view together with the guidelines given in the OM of even number dated 14th December, 1994 before deciding investment of their surplus funds in any instrument. Further, the existing holding of the enterprise in the UTI schemes or similar schemes of various other public sector and private sector mutual funds have to be disinvested to fall in line with these guidelines. Such investment may however be phased out without running the risk of capital loss with due approval from the Boards of the public enterprises.

3. Administrative Ministries/Departments are requested to suitably advise the public enterprises under their administrative control to strictly comply with these guidelines.

4. These guidelines are issued in consultation with the Ministry of Finance.

(DPE O.M. No. 4(6)/94-Fin dated 01/11/1995)

5 Issue of Bonus Shares by Public Sector Undertakings simplifying the Procedures.

It has come to the notice of the Govt. that a number of Central Govt. Public Sector Undertakings are carrying substantial reserves in their balance sheets against a relatively small paid up capital base. The question of the need for these enterprises to capitalize a portion of their reserves by issuing Bonus Shares to the existing shareholders has been under consideration of the Govt.

2. The issue of Bonus Shares helps in bringing about at proper balance between paid up capital and accumulated reserves, elicit good public response to equity issues of the public enterprises and helps in improving the market image of the company.

3. Therefore, the Government has decided that the public enterprises, which are carrying substantial reserves in comparison to their paid up capital sold issue Bonus Shares to capitalize the reserves for which the following norms/conditions and criteria may be followed and fulfilled.

4. SEBI guidelines may be followed in deciding the correct proportion of reserves to be capitalized by issuing Bonus Shares. A copy of the bonus issue guidelines of SEBI is enclosed.
5. For the purpose of determining the quantum of bonus issue, PSUs should be guided by the following factors:
 - (i) Likely increase in capital base from fresh public issues by PSUs in the next two to three years (which will dilute the GOI's equity).
 - (ii) PSUs should prepare profit projections for the next three years on realistic basis as projected by them in their corporate plan and estimate their ability to service the enlarged equity after taking into account any fresh equity issue they expect to make for their expansion/diversification needs.
6. PSUs are at liberty to engage public/private sector merchant bankers to determine the quantum of bonus and provide advice on related matters. The mode of selection of merchant bankers and any fee payable for their services may be decided by PSU Boards.
7. While recommending proposals for capitalizing reserves, PSUs should also consider the need for increasing their authorized capital to accommodate the release of bonus shares and any subsequent public issues and recommend increase in the capital where necessary.
8. PSUs should ensure that after making the bonus there are enough reserves left which together with future plough-back of profit will be sufficiently large to inspire confidence and support from existing and potential shareholders. This is necessary to remain as an attractive scrip in the market.
9. Each administrative Ministry may direct the enterprises under their control that PSUs having reserves in excess of three times their paid-up capital should immediately consider the scope for issuing bonus shares to GOI (and pro-rata to other existing shareholders if partial disinvestment had occurred so far). PSUs having large reserves may be allowed to make any public issue only after examining the scope for capitalizing a portion of reserves.
10. Ministries/Departments should expeditiously examine and approve bonus issue proposals if the quantum of bonus and profit projections are found to be properly assessed and the PSUs certify that the proposals are in conformity with the SEBI guidelines.
11. Bonus issue proposals need not be referred to Ministry of Finance (MoF) for approval unless there are special reasons to do so. Likewise proposals involving increase in authorized capital need not be referred to MoF. It has been clarified earlier that increase in authorized capital does not require Cabinet approval.
12. Ministries should keep the Department of Public Enterprises informed about bonus issue proposals and authorized capital increases approved by them.
13. The above conditions shall cut down the procedural delays in obtaining the approval for bonus shares besides enabling the PSUs to finalize public issue plans quickly and tap the capital market when conditions are favourable.
14. The Financial Advisers in the administrative Ministries shall keep a control over the fulfillment of various conditions/criteria as mentioned above before agreeing to the bonus issues.

Copy of Securities and Exchange Board of India (SEBI)'s guidelines dated 13/04/1994 for Disclosure and Investor Protection—Bonus Issue Guidelines.

In keeping with current pace of liberalization and reforms in the Primary Market, the Board of SEBI has decided to modify the extant guidelines for bonus shares, forming Section M of the Guidelines for Disclosure and Investor Protection issued by SEBI on June 11, 1992.

SEBI believes that the Board of Directors of the companies wishing to make bonus issues will take into due consideration the relevant financial factors while deciding on bonus issues and observe the following guidelines.

Section M

- (i) These guidelines are applicable to existing listed companies who shall forward a certificate duly signed by the issuer and duly countersigned by its statutory auditor or by a company secretary in practice to the effect that the terms and conditions for issue of bonus shares as laid down in these guidelines, have been complied with.
- (ii) Issue of bonus shares after any public/right issue is subject to the condition that no bonus issue shall be made which will dilute the value or rights of the holders of debentures, convertible fully or partly.

In other words, no company shall, pending conversion of FCDs/PCDs, issue any shares by way of bonus unless similar benefit is extended to the holders of such FCDs/PCDs, through reservation of shares in proportion to such convertible part of FCDs or PCDs. The shares so reserved may be issued at the time of conversion(s) of such debentures on the same terms on which the bonus issues were made.
- (iii) The bonus issue is made out of free reserves built out of the genuine profits or share premium collected in cash only.
- (iv) Reserves created by revaluation of fixed assets are not capitalized.
- (v) The declaration of bonus issue, in lieu of dividend, is not made.
- (vi) The bonus issue is not made unless the partly-paid shares, if any existing, are made fully paid-up.
- (vii) The Company –
 - 1. has not defaulted in payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption thereof and.
 - 2. has sufficient reason to believe that it has not defaulted in respect of the payment of statutory dues of the employees such as contribution to provident fund, gratuity bonus etc.
- (viii) A company, which announces bonus issue after the approval of the Board of Directors must implement the proposals within a period of six months from the date of such approval and shall not have the option of changing the decision.
- (ix) There should be a provision in the Articles of Association of the company for capitalization of reserves, etc. and if not, the company shall pass a Resolution at its General Body Meeting making provisions in the Articles of Association for capitalization.
- (x) Consequent to the issue of bonus shares if the subscribed and paid-up capital exceed the authorized capital, a Resolution shall be passed by company at its General Body Meeting for increasing the authorized capital.

ENCLOSURE**Securities and Exchange Board of India (SEBI)'s RMB (DIP Series) Circular No. 2(94-95) dated 15/04/1994 – Guidelines for Disclosure and Investor Protection.**

In tune with the process of liberalization and reforms in the primary market, it has been decided to modify the extant guidelines for issue of bonus shares contained in Section M of the guidelines for Disclosure and Investor Protection issued by SEBI on June 11, 1992. The revised guidelines have done away with certain requirements relating to issue of bonus, namely profitability Test, Residual Reserves Test etc.

A copy of the Press Release dated April 13, 1994 issued by SEBI in this connection is enclosed for your information.

(DPE O.M. No. 12(6)/95-Fin. dated 10/11/1995)

6 Delegation of Powers to Board of Directors of PSEs to incur capital expenditure.

With a view to giving greater autonomy to Public Sector Enterprises, and in pursuance of this announcement made by the Finance Minister in his Budget Speech for 1997-98, the Government hereby revise the powers delegated to the Boards of Public Enterprises to sanction capital outlay in their enterprises without prior Government approval as shown below. This is in supersession of the earlier instruction vide OM No. BPE/1(64)/Adv(F)/78 dated 20.8.86. The enhanced delegated powers are subject to the condition that the enterprise concerned should be profit making.

2. Further this delegation would be subject to the following:

- (a) inclusion of the project in the approved Five Year and Annual Plans and outlays provided for.
- (b) the required funds can be found from the internal resources of the company and the expenditure is incurred on schemes included in the capital budget approved by the Government.

Gross Block	Power to Sanction Expenditure without Prior Approval of the Government	
	Existing	Revised
Less than Rs. 100 Crores	Rs. 5 Crores	Rs. 10 Crores
Between Rs. 100 Crores & Rs. 200 Crores	Rs. 10 Crores	Rs. 20 Crores
Between Rs. 200 Crores & Rs. 500 Crores	Rs. 20 Crores	Rs. 40 Crores
Above Rs. 500 Crores	—	Rs. 100 Crores

3. The term 'Gross Block' would be treated as fixed assets and capital work in progress as shown in the last published balance sheet.

4. Profit making enterprises, for the purpose of this delegation, would be those which have shown a profit in each of the three preceding accounting years and have a positive net worth.

5. These instructions come into effect from the date of issue.

6. This issues with the approval of Ministry of Finance.

(DPE O.M. No. 16/22/90-Fin.G-I dated 06/05/1997)

7 Merger and Acquisition decisions by the Central PSUs.

In pursuance of the policy objective to make the public sector more efficient and competitive, Govt. have announced its decisions to grant autonomy and delegated powers from time to time on various issues for application in the Central PSUs in general and also specific delegated powers to the Navratna and Mini-ratanas.

2. It is however clarified that the delegated powers would not include the power to decide about merger and acquisition. The Central Government public enterprises must therefore take prior approval of the Government in regard to merger with and/or acquisition of any other business entities or major business activities and should not take decisions at their own. This would be applicable to all the Central PSUs irrespective of their financial status or grant of Navratna/Mini-ratana status etc. Decisions on merger and/or acquisitions should not be interpreted as though such powers are within the autonomy given to the Navaratnas/Mini-ratanas under the guidelines issued by the Govt.

3. Similarly, It is also clarified that the Navratna and Miniratna enterprises must follow the procedures detailed in the Government guidelines for investment of surplus funds as detailed in DPE OMs Nos. DPE/4(6)/94-Fin. dated 14.12.94 and 1.11.95. There is no separate dispensation available to any of the public enterprises in this regard (other than the PSEs in financial sector about which separate guidelines were issued, vide OM No.DPE/4(6)/94-Fin. dated 2.7.96) and these guidelines on investment of surplus funds are applicable to all the Central PSEs including the Navratna and Miniratna CPSEs.

4. Administrative Ministries may please bring the contents of the Govt. decisions to the notice of the Central PSUs under their administrative control.

(DPE O.M. No. 3(2)/2003-(Fin.)/GL XVI dated 11/02/2003)

8 Statements made by Officials of certain PSUs to the Media.

The undersigned is directed to say that certain Government Official and Officials of certain PSUs are sometimes making statements, which have immediate impact on the normal price discovery, and also have impact on the disinvestment process. Therefore, it has been decided that:

1. No statement should be made by Government Official or by any official of PSU unless it is properly authorized.
2. Price sensitive information/statement should be made by authorized official only after approval from the Board/ Administrative Ministry.
3. Price sensitive information/statement should first be disseminated to the Stock Exchange in terms of clause 36 of the listing agreement before it is released for public information.
4. Price sensitive information/statement should be made to the entire media and not selectively to a section of the media.

All administrative Ministries & Govt. Officials are requested to bring the contents of this O.M. to the notice of all PSUs under the administrative control and ensure strict compliance thereof.

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

(DPE O.M. No./6(6)/2003-Fin. Dated 26/09/2003)

9 Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of other profit making PSEs.

The undersigned is directed to refer to this Department OM No. DPE/16(22)/90-Fin. dated 6th May, 1997 and 8th October, 1998 regarding delegation of powers to Board of Directors of PSEs to incur capital expenditure.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of other profit making PSEs and have decided to enhance the powers in the manner stated below:

- (i) The power to incur capital expenditure without Government approval stands revised to Rs. 150 crore or equal to 50% of the Net worth, whichever is less.
- (ii) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The conditions and guidelines laid down in the OMs referred to in para.1 above shall remain unchanged.

4. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

(DPE O.M. No. 18(24)/2003-GM- GL.66 dated, 05/08/2005)

10. Budget/Expenditure Management Economy measures rationalization of expenditure, and measures for augmentation of revenues.

The undersigned is directed to forward herewith a copy of Department of Expenditure's O.M. No. 7(2)/E-Coord /2005 dated 23rd November, 2005 on the subject mentioned above, issued in partial supersession of their O.M.No. 7(5)/E-Coord /2004 dated 27th September, 2004.

2. It is requested that the same may kindly be brought to the notice of Public Sector Enterprises under the administrative control of Ministries/Department for strict compliance.

Sub: Budget/Expenditure Management: Economy measures, rationalization of expenditure, and measures for augmentation of revenues. Government have decided to introduce certain measures related to the captioned subject.

In partial supersession of this Ministry's OM No.7(5)/E-Coord/2004 dated September 24, 2004 on the subject cited above, the following modified measures for fiscal prudence and economy are introduced which shall be strictly observed with immediate effect: - A. Economy in expenditure

- 1. The need for avoiding ostentatious expenditure is emphasized upon. Government offices should be managed with every economy in operating expenses such as maintenance of buildings and office equipments, lighting, conservancy, stationary and postage etc. Austerity must be reflected in furnishing of offices/offices at residences also. Expenditure on office expenses, foreign travel, overtime allowance/honorarium, hiring of vehicles, telephone charges, petrol, oil and lubricants, and semi-

nars/conferences will, therefore, be restricted in 2005-06 to average of actual expenditure incurred in 2002-03, 2003-04 and 2004-05 through appropriate economy measures. No re-appropriation of funds to augment these heads of expenditure would be allowed during the current financial year. The expenditure limit prescribed for these purposes shall be strictly enforced.

2. Foreign travel should be restricted to unavoidable official engagements, and Cabinet Secretariat instructions dated 14.9.2005 on the subject particularly the norms of number and purpose of visits, strictly complied with. Travel abroad of spouses at official expense, where required for protocol purposes, will be kept to the most minimum and strictly in accordance with the requirement, with suitable guidelines to be issued by Ministry of Defence/Ministry of Home Affairs in this regard. There shall, however, be a total ban on foreign travel for Study Tours, Seminars, Workshops etc., funded by the Government of India except for annual and other formal meetings of bilateral/multi-lateral bodies. Size of official delegations, where foreign travel is essential, shall be restricted to the bare minimum.
3. The air travel, both domestic and overseas, on official account would now be permissible on airlines other than Air India/Indian Airlines also, provided the criteria for selecting the alternative airline for official travel are based on better and more competitive prices being offered by the other airlines. Various incentive schemes and concessional fares offered by Air India/Indian Airlines will also be fully utilised to ensure utmost economy in air travel. This would apply both to officials within India and to officials posted abroad. MEA will also make consequential changes in Rules, in consultation with DOPT and the Department of Expenditure. General guidelines for domestic overseas air travel would also be modified accordingly by DOPT and Department of Expenditure.
4. While officials are entitled to various classes of Air Travel depending on seniority etc., it is hoped that utmost economy would be observed while exercising the choice, and bookings in the First Class should be eschewed unless considered necessary for protocol purposes. In particular, in delegations led by Ministers, irrespective of entitlement, no member of the delegation should choose to travel by a class higher than the one chosen by the Minister.
5. To curtail the expenditure on telephones, Ministries/Departments would now also be able to avail of services of providers other than MTNL/BSNL, provided the criteria for selecting the alternative service provider are based on better and more competitive rates being offered by the latter.
6. Due economy should be observed in organizing Conferences/Seminars/Workshops etc., with these being restricted to only those which are absolutely essential. Existing guidelines for holding such events, and prescribed expenditure ceilings, should be strictly enforced. Where possible and appropriate, such events/activities, to the extent deemed essential, be organized under Public Private Partnership with the partner contributing substantially to the expenditure.
7. Purchase of new vehicles is banned until further orders. Exceptions will be allowed only in unavoidable cases, including for meeting the operational requirements of Defence Forces and Central Para Military Forces, with prior concurrence of the Department of Expenditure, Ministry of Finance.
8. There shall be a ban on creation of new posts in all Ministries/Departments/Autonomous Institutions till further orders. Any unavoidable proposals for the creation of posts, including Groups 'B', 'C' and 'D' posts, will continue to be referred to the Ministry of Finance (Department of Expenditure) for approval. The proposals would necessarily have to be based on 'new organisation' and accompanied by matching savings from existing related establishment. Outsourcing of routine services such as cleaning, maintenance, moving papers/dak etc., may be encouraged.

9. Every Ministry/Department shall undertake a review of all the posts lying vacant for more than six months in the Ministry/Department and in the Attached and Subordinate Offices, etc., in consultation with the Ministry of Finance (Department of Expenditure) so as to identify posts which can be abolished. These reviews must be completed by March 31, 2006 and details of vacant posts in the respective Ministries and those identified for abolition intimated to the Department of Expenditure immediately thereafter. Till the review is completed no posts lying vacant for more than six months should be filled up except with the prior approval of the Ministry of Finance (Department of Expenditure).
 10. Implementation of existing instructions of DoP&T OM No.2/8/2001-PIC dated 16.5.2001 concerning 10% cut in posts and abolition of posts lying vacant for more than one year will be ensured.
 11. In respect of provisions regarding deployment of surplus staff, all efforts will be made for regular posting of the employees transferred to the Surplus Cell within a period of six months.
 12. The transfer policies and the frequency and the periodicity of transfers of officials whether within the country or overseas shall be reviewed as frequent transfers cause avoidable instability, resulting in inadequate development of expertise and grasp of the responsibilities, besides resulting in avoidable expenditure. All Ministries, including Ministry of External Affairs, shall review the policies with a view to ensuring longer tenures at posting, thereby reducing the expenses on allowances and transfers.
 13. Increased use of Information and Communications Technology should be further encouraged, with a view to ensuring better utilization of resources available with the Government and improved delivery of public services. Cabinet Secretariat are already monitoring the progress in this behalf. Departments will immediately complete preparing roadmaps of systems' development in this regard, keeping present and future user requirements in view. Besides, improving quality and efficiency of public services, this should also bring down the unit cost of delivery of public services. Each department will identify and shortlist specific areas of cost control by December 31, 2005. Services/Consultancy from the office of the Chief Adviser (Cost) under the Department of Expenditure would be available to the Ministries/Departments wishing to take the assistance in undertaking the exercise in this regard.
- B. Observance of discipline in transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/State/Local level**
14. No amount will be released to any entity (including State Governments), which has defaulted in furnishing utilization certificates for grants-in-aid released by Central Government in the past without clearance from the Ministry of Finance. In respect of all grants released prior to April 1, 2004, two months' notice may be given to the concerned entities to furnish the required utilization certificates, failing which the amount will be deducted from future releases and credited to government revenue as "refund of unused grants".
 15. Ministries/Departments will not transfer funds under any Plan scheme in relaxation of conditionalities attached to such transfers (such as matching funding). Where a scheme contemplates a prior determination of each State's entitlement of Central Budget support, the actual disbursements will be limited to these entitlements. Specifically, it will not be open to any Ministry/Department to release excess funds to any State by diverting "savings" in respect of another State as the practice tends to aggravate imbalances.

16. The State Governments will, henceforth, furnish monthly return of Plan expenditure - Central, Centrally Sponsored or State Plan - to respective Ministries/Departments alongwith a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. C. Encouraging additional revenue and internal resource generation
17. With a view to encouraging greater effort at garnering revenues in the Government, schemes would be evolved by the revenue generating/earning/collecting Ministries/Departments on the principle of an amount equal to 1% of the incremental revenue being earmarked as incentive provision in the next year's budget for enhancing the organisational efficiency, infrastructure and wherewithal. Each department willing to participate will work out the details of relevant schemes based on this principle of enhanced provisions for augmenting operational efficiency arising out of the incremental revenues earned beyond the budget targets, and submit for the approval of the competent authority and the Ministry of Finance (Department of Expenditure) by December 31, 2005. Similarly, schemes would also be considered for achieving economy in expenditure against an identified benchmark.
18. With a view to reducing dependence of autonomous bodies on budgetary support and set them on a course of greater self-reliance, the general-purpose deficit grants in 2005-06 will be reduced to 95% of actual amount of average of such grants given in 2002-03, 2003-04 and 2004-05. In 2006-07, these will be further reduced to the level of 90%. This reduction will not apply for grants given for a specific project. D. Returns on investment by Government and non-tax receipts.
19. All profit-making Public Sector Enterprises (PSEs), which are essentially commercial enterprises, subject to specific guidelines issued from time to time, will declare a minimum dividend on equity of 20 percent or a minimum dividend pay out of 20% of post-tax profits, whichever is higher, subject to availability of disposable profits. In respect of Oil, Petroleum, Chemical and other infrastructure sectors this amount would be 30%. Besides, profit making companies with large cash surpluses and without firm plans for reinvestment shall declare special dividends. PSEs having large cash/free reserves and sustainable profitability will issue bonus shares. Companies with high market price of shares will consider stock splits.
20. Profit making Joint Venture companies would also normally give a minimum dividend of 20% or 30% on equity depending on the sector as mentioned in the previous para.
21. Other non-tax receipts, including applicable user charges, shall be collected fully without fail, and also reviewed to aim at recovering at least the cost of the service. Each Ministry/Department will review user charges, licence fees, service charges, fees charged for products sold by them, documents, forms of various kinds and the like, applicable to all organizations under them.
22. Timely repayment of loans provided by the Government to the PSEs and due payment of fees/charges on Government Guarantees will be ensured through effective monitoring by Ministries/Departments. E. Budget formulation and implementation
23. All on-going programmes and schemes, both Plan and non-Plan, will be carefully reviewed, scrutinized and evaluated to determine their continued relevance. This exercise shall be taken up immediately and completed by December 31, 2005. Planning Commission have already initiated the process in respect of the Plan Schemes.
24. Budget Estimates and Revised Estimates shall be prepared with reference to the commitments made in the Outcome Budget and fiscal discipline enforced in implementation of programmes/projects to ensure 'value for money'.

25. Deviations of expenditure from the prescribed budgetary ceilings shall not be permitted. It must also be ensured that no fresh financial commitments are made on items which are not provided for in the budget approved by the Parliament. The administrative Ministries/Departments will be fully accountable for unauthorized expenditure over and above the appropriations.
26. The instances of incurring or committing expenditure in a particular year and postponing the actual payment of bills to the subsequent financial year are improper, and must be discontinued forthwith.
27. Budget formulation should lay greater emphasis on explicit recognition of the revenue constraints and a realistic projection of the budgetary allocations required for various projects/schemes and there must be strict and rigid adherence to budgetary ceilings. All procedures laid down for approving and for incurring expenditure on schemes both Plan and Non-Plan will be followed scrupulously.
28. Each Ministry/Department would be expected to keep an account of the financial yields of the above mentioned measures implemented in the Ministry/Department. Financial Advisers will monitor the progress in this regard and will bring the progress/bottlenecks to the note of the Secretaries concerned on monthly basis. The results will also find mention in their monthly D.O. report to Secretary (Expenditure).

[DPE OM No. DPE/15(10)/2004-DPE(GM) Dated 17th March, 2006]

11 Updated position regarding title deeds or encumbrances of land buildings owned by Central Public Sector Enterprises (CPSEs)

The undersigned is directed to say that the office of Principal Director of Audit has pointed out that all CPSEs disinvested were in possession of substantial real estates. However, these properties were not valued properly as per the market rate by the asset valuer. One of the reasons for not valuing these properties was that these properties were not free from the encumbrances and title deeds were not clear. The audit has further observed that some of the companies did not even maintain Fixed Asset Register / List of Fixed Assets properly.

2. All the administrative Ministries / Departments are requested to issue suitable instructions to the public sector enterprises under their administrative control to update position regarding title deeds or encumbrances of land buildings owned by CPSEs along with all necessary requisite documentation and to take remedial measures for ensuring that records such as Fixed Assets Register are maintained properly.

This issues with the approval of M/o Heavy Industries & Public Enterprises

DPE O.M. No. 3(3)/2006-Fin. Dated 30/06/2006

12 Investment of surplus funds by Central Public Sector Enterprises (CPSEs).

Reference is invited to the O.M. No. 4(6)/94-Fin. Dated 14.12.94 and subsequent clarifications issued by DPE vide O.M. dated 1.11.1995 and 11.3.96 on the above mentioned subject. The CPSEs were, accordingly, advised that the investment of surplus fund in public and private sector mutual funds should not be made as they are inherently risky.

2. The Government have further reviewed the position. As the mutual funds are now under the regulatory and supervisory purview of SEBI and to provide CPSEs a level playing field with the private sector in terms of investment options, it has been decided to remove the prohibitions on investment of surplus funds of CPSEs in mutual funds subject to the following conditions:

- (i) Only Navratna and Miniratna CPSEs are permitted to invest in SEBI regulated public sector mutual funds.
 - (ii) Investments in schemes of such mutual funds, having equity investments, should not exceed 30% of the available surplus funds of the concerned CPSE.
 - (iii) The Board of Directors of these CPSEs would decide the guidelines, procedures and management control systems for investment in such mutual funds in consultation with the Administrative Ministries.
3. The arrangements indicated in para 2 will be reviewed by the Government after gaining experience for one year.
4. The administrative Ministries/Departments are requested to suitably advise the Navratna and Miniratna public enterprises under their administrative control to strictly comply with the guideline.

(DPE OM No.11/47/2006-Fin dated 31/08/2007)

13 Investment of surplus funds by Central Public Sector Enterprises (CPSEs).

Reference is invited to the O.M. of even number dated 31.8.2007 on the above mentioned subject allowing CPSEs to invest their surplus funds in Public Sector Mutual Funds subject to the fulfillment of certain conditions specified therein.

2. Consequent to the issue of the (DPE's) O.M. dated 31.8.2007 mentioned above, a number of references were received in the Department of Public Enterprises (DPE) from different Ministries, public sector enterprises and other agencies seeking clarification in regard to the definition of a Public Sector Mutual Fund. The matter has been examined and the undersigned has been directed to clarify that "Public Sector Mutual Fund means the Mutual Fund registered with and regulated by SEBI where the Government of India, its financial institutions and public sector banks holds/hold individually or collectively more than 50% of equity/shares in the Asset Management Company of that Mutual Fund."
3. The administrative Ministries/Departments are requested to suitably advise the Navratna/Miniratna public enterprises under their administrative control accordingly.
4. This issues with the approval of the Minister (HI & PE).

(DPE OM No. DPE/11(47)/2006-Fin dated 4th December, 2007)

14 Investment of surplus funds by CPSEs.

A reference is invited to O.M. of even number dated 31st August, 2007 on the above subject allowing Navratna and Mini-ratna CPSEs to invest in equity schemes of SEBI regulated Public Sector Mutual Funds up to 30% of available surplus funds of the concerned CPSEs. References have been received from various Departments/Ministries and CPSEs to clarify whether the limit of 30% is for investment in mutual funds as a whole or only for equity schemes of mutual funds.

2. The matter has been considered and it is clarified that the limit of 30% of available surplus funds is for investment in Public Sector Mutual Funds as a whole and not for only equity schemes of Public Sector Mutual Funds.
3. In view of inherent risk in investing in equity stocks, there is a need to maintain necessary precautions in investing in equity investments through Mutual Funds.

4. The Administrative Ministries/Departments are requested to advise suitably to Navratna and Mini-ratna CPSEs under their control.

(DPE OM No. /11/47/2006-Fin dated 15/04/2008)

15. Investment of Surplus Funds of Central Public Sector Enterprises (CPSEs).

Reference is invited to this Office Memorandum No DPE/11(47)/2006-Fin dated 11.04.2008 on the above subject advising CPSEs to place at least to the extent of 60% of surplus funds with Public Sector Banks, to discontinue the practice of inviting competitive bids for bulk deposits and place their bulk deposits with the banks(s) with whom they have a regular course of business, including public sector banks.

2. It has been informed by Ministry of Finance, Department of Financial Services that some CPSEs are still inviting bids for placement of their funds, resulting in undesirable competition amongst the banks leading to arbitrary and artificial hikes in deposit rates which have consequences for the economy as a whole.
3. Administrative Ministries/Departments are, therefore, requested to reiterate these instructions for strict compliance by the CPSEs under their administrative control in this regard.
4. This issues with the approval of Secretary in this department.

(DPE OM No. /11(47)/2006-Fin dated 14/08/2008)

16. Prompt Payment of Bills of MSMEs.

The undersigned is directed to state that the Apex Group chaired by the Hon'ble Prime Minister, in its meeting held on 2.12.2008, has decided that Central Public Sector Enterprises (CPSEs) should ensure prompt payment of Bills of Micro, Small & Medium Enterprises (MSMEs).

2. The Administrative Ministries/Departments are, therefore, requested to suitably instruct the Chief Executives of CPSEs under their administrative control for strict compliance of the above instructions of the Apex Group.

[DPE OM No. DPE/13(24)/08-Fin. Dated 11th December, 2008]

17. Investment of Surplus Funds of Central Public Sector Enterprises (CPSEs).

Reference is invited to this Department's O.M. No. DPE/11(47)/2006-Fin. Dated 11th April, 2008 advising CPSEs, inter-alia, to discontinue the practice of inviting competitive bids for bulk deposits forthwith. References have been received from CPSEs and administrative Ministries seeking clarification whether the restrictions prohibiting CPSEs to invite competitive bids for bulk deposits are also applicable in respect of bulk deposits with all eligible private sector banks. The matter was taken up with Ministry of Finance, Department of Expenditure (DOE) and it has been, vide DOE O.M. No. 7(2)/E.Coord.2007 dated 13th February, 2009, inter-alia advised that :

- (i) CPSEs should not invite bids from the private sector banks also for placing their bulk deposits, and
- (ii) All CPSEs parking their funds with banks should renew all deposits maturing upto 30.06.2009 with the same bank, with which they have placed deposits, at the published bulk deposit card rates.

2. The administrative Ministries/Departments are requested to instruct CPSEs under their administrative control accordingly in this regard.

(DPE No. 18(1)/08-Fin. Dated 24/02/2009)

18. Issue of deletion of turnaround Central Public Sector Enterprises (CPSEs) from the list of sick CPSEs (of BRPSE).

The performance of 'sick and loss making CPSEs' referred to BRPSE is monitored by Memorandum of Understanding (MoU) Task Force under 'Sick and Loss making CPSE's classification, until these are declared as turnaround CPSEs. There are certain CPSEs which have turnaround after implementation of revival packages sanctioned by the Government on the recommendations of BRPSE and have started posting profits.

2. BRPSE have recommended guidelines for declaring sick CPSEs as turnaround. Government has accepted these recommendations. Accordingly, following guidelines are issued for declaring sick and loss making CPSEs as turnaround:-

- (i) Company which has shown profit in each of the three preceding accounting years and has a positive net worth after implementation of the revival package.
- (ii) "Company" means a company which is in the list of sick CPSEs of BRPSE, as per the definition in the Resolution constituting BRPSE.
- (iii) Net profit is defined as profit after tax before prior period adjustments and extraordinary items, like sale of assets, etc and also excludes items like waivers/ concessions/subsidy/write offs/grants received from Government/banks/Financial Institutions, Creditors, etc. However, subsidy, if any, received by the CPSE as a part of the scheme administered by the Government will be considered for computing the profit.
- (iv) Deletion will be as per the Public Enterprises Survey prepared by DPE yearly or on the basis of information furnished by such company which ever is earlier.
- (v) The company should submit three years Annual Report of the company along with the re-stated Profit & Loss Account mentioned at 11 (iii).
- (vi) Material qualifications of auditors in their Audit Report on the company which shows a different financial performance than what was shown in the Annual Report will also be taken into consideration for determination of Net Profit.

3. It is requested that the same may kindly be brought to the notice of Public Sector Enterprises under the administrative control of your Ministries/ Department.

4. This has the approval of Minister (EH & PE).

[DPE OM No./13(15)/10-Fin. Dated 20th January, 2011]

19 Issue of Bonus shares by Public Sector Undertaking simplifying the Procedures.

The undersigned is directed to refer DPE OM NO.12(6)195-Fin dated 10th November, 1995 regarding the above subject wherein it was stated inter alia, that each administrative Ministry may direct the enterprises under their control that PSUs having reserves in excess of three times their paid up capital should immediately consider the scope for issuing bonus shares to GOI (and pro-rata to other existing shareholders if partial

disinvestment had occurred so far). PSUs having large reserves may be allowed to make any public issue only after examining the scope for capitalizing a portion of reserves.

3. It has been observed that there are a number of CPSEs which have reserves and surpluses more than three times of their paid up capital. Such situation does not reflect equitable capital base of the company. Further, CPSEs declare the dividend on a lower capital base.

4. In view of the above, concerned administrative Ministries are requested to reiterate DPE's instructions on the subject and direct the CPSEs under their control to examine and approve the bonus share proposals.

[DPE O.M No. DPE/13(21)/2011-Fin. Dated 25th November, 2011]

20 Use of Integrity Pact by Public Sector Undertakings(PSUs) - Implementation of ARC Recommendation - regarding.

The undersigned is directed to refer to the Department of Expenditure's DM No.14(12)/2008-E.II(A) dated 20.07.2011 (copy enclosed) on the above mentioned subject and to state as under

- (i) All CPSEs will enter into Integrity Pact in the form enclosed as Annexure in their procurement transactions/contracts with suitable changes specific to the situations in which the pact is to be used.
 - (ii) CPSEs in consultation with the Financial Advisers of the concerned administrative Ministries shall decide and lay down the nature of procurements/contracts and the threshold value above which the Integrity Pact would be used in respect of procurement transactions/contracts concluded by them. This activity should be completed by 30th Sept, 2011.
 - (iii) As the title page of the said Pact is in the name of the President of India, CPSEs may change the title page suitably for their use.
2. This issues with the approval of Minister (HI&PE).

[DPE OM No. DPE/13(12)/11-Fin. Dated 9th September,2011]

21 Mandatory publication of Tender Enquiries on the Central Public Procurement Portal.

The undersigned is directed to refer the instructions issued by Department of Expenditure vide its O.M. No. 10/1/2011-PPC dated 30.11.2011 on the above (copy enclosed) and to state that these instructions are mandatorily applicable on Central Public Sector Enterprises (CPSEs) mutadis mutandis w.e.f. 1.4.2012.

2. Administrative Ministries/Departments are requested to direct CPSEs under their administrative control to take necessary action to ensure that e-publishing of tender details on the Portal is commenced from the date specified above.

[DPE OM No. DPE/3(3)/10-Fin. Dated 20th December 2011].

22 Consideration of Report of Committee on Public Procurement.

Ref: This Office earlier letter No. DPE/3(3)/10-Fin dated 20.12.2011 regarding mandatory publication of Tender Enquiries on the Central Public Procurement Portal.

In above reference, following corrigendum is issued in respect of line No. 4 of para 1. The para may be read as under:—

The undersigned is directed to refer the instructions issued by Department of Expenditure vide its O.M. No 10/1/2011-PPC dated 30.11.2011 on the above (copy enclosed) and to state that these instructions are mandatorily applicable on Central Public Sector Enterprises (CPSEs) mutadis mutandis w.e.f. 01.02.2012.

[DPE/3(3)/10-Fin. Dated 07-02-2012]

23 Issue of guidelines regarding buy back of shares.

It has been noticed that listed Central Public Sector Enterprises (CPSEs) are not exercising the option to buy back their shares as private companies do to provide for sustained investor interests in the company and protect their market capitalization in the longterm interest of the company's ability to raise funds from the market. In order to provide a level playing field to CPSEs *vis-à-vis* private companies, the following guidelines are issued:—

- (i) If a CPSE decides to buyback its own shares from the shareholders using surplus case, Department of Disinvestment (DoD) on behalf of major share holders may tender/offer equity on behalf of Government of India.
- (ii) CPSEs will amend their Articles of Association to provide for buyback of shares, if such provision does not exist in their Articles.

2. All the administrative Ministries are advised to instruct CPSEs under their administrative control to take necessary steps to implement the above guidelines and submit the compliance Report on implementation of the guidelines to this Department.

[DPE OM No. DPE/11(24)/2011-Fin. Dated 26th March 2012]

24 Purchase of equity by Central Public Sector Enterprises (CPSEs) from another CPSE from the Government utilizing their surplus cash.

It has been decided that Government of India may, through Department of Disinvestment, sell shares of a CPSE if another CPSE decides to buy it out of its surplus case.

2. All the administrative Ministries/Departments are requested to advise the CPSE under their administrative control to take note of the decision of the Government and sent proposals, if any, directly to Department of Disinvestment.

[DPE No. DPE/14(24)/2011-Fin Dated 23rd April 2012]

25 "Air Travel on Official Account" — both domestic and international where CPSEs bear the cost of Air Passage.

The undersigned is directed to state that in case of air travel by officers/others on official account where domestic or international, where the travel expenses are borne by the CPSE, tickets for the cheapest discounted air fare of the entitled class must be availed.

2. All administrative Ministries/Departments are requested to advise all CPSEs under their administrative control comply with the above instructions strictly.

3. This issues with the concurrence of IF Wing *vide* their O.M. No. 4(13/2012-Fin-III dated 14.09.2012
4. This has been approved of Minister HI &PE.

[DPE OM No. DPE/3(4)/08-Fin Dated 7th January, 2013]

26 Utilisation of mileage points/other incentrives earned by CPSE employees on tickets purchased for official travel

Ministry of Petroleum & Nature Gas vide O.M. No. C-13014/23/2009-Vig dated 18th January, 2013 has made a reference to DPE regarding the advice of Central Vigilance Commission to ensure the observance of instructions issued by the Department of Expenditure, Ministry of Finance in its O.M. No. 7(1)/E. Coord./2008 dated 1st October, 2008) on utilization of mileage points earned by CPSEs employees.

2. After due consideration it has been decided that all mileage points earned by employees of CPSEs on tickets purchased for official travel shall be utilized by the concerned CPSEs for other official travel by their employees.
3. It is the responsibility of the employees concerned to ensure that free mileage points are used only for official travel and not for peronsal trips. Any other incentives and similar packages such as free companion etc. should be negotiated by CPSEs so that benefits come to the CPSEs.
4. These orders will be applicable in the case of mileage points earned after the date of issue of this O.M.
5. All administrative Ministries/Departments are requested to advise all CPSEs under their administrative control to comply with the above instructions stricitly.
6. This has approval of Minister (HI & PE)

[DPE OM No. DPE/3(4)/08-Fin Dated 20th February, 2013]

27 Utilisation of mileage points / other incentives earned by CPSE employees on tickets purchased for official travel

The undersigned in directed to refer to OM No. DPE/3(4)08-Fin. dated 20th February 2013 on above subject and to say that it has been decided, in line with the DoPT's OM No. 11013/7/2008-Estt.(A) dated 3rd June 2009, to modify the instructions contained in the said OM to the extent that CPSEs may allow their employees to avail the facility of free companion tickets offered by the airlines for International Travel only.

2. These instructions will be subject to the economy measures and rationalization of expenditures issued by the Department of Expenditure and extended to CPSEs from time to time.
3. This is issued with the approval of Minister, HI&PE.

[DPE OM No. DPE/3(4)/08-Fin Dated 10th May, 2013]

28 Fees/Travelling Allowance etc. of Govt. Servants-appointed as Director/Representatives or nominees of the Govt. of India on central public sector enterprises etc.

The undersigned is director to forward herewith Department of Expenditure OM No. 19045/1/E IV/93 dated 12th February, 1993 and 12th January, 1999 on the subject mentioned above for further necessary action and compliance.

Subject:- Fees/Travelling Allowance etc. of Govt. Servants-appointed as Director/Representatives or nominees of the Govt. of India on central public sector enterprises etc.

The grant of travelling allowance/fees to Govt. servants appointed as Director/ representatives/nominees of the Government of India on different Public Sector Undertaking/Institutions are being regulated in accordance with the terms and conditions laid down in this Department's O.M. No. 5(47)E.IV (B), 53 dt. The 5th July, 1965 as amended from time to time read with Appendix III of FR SR. Part- II.

2. Subsequently, instructions were also issued vide this Department's O.M. No. 7(28) E. Coord/91 dt. the 6th Jan. 92, in which the Ministries/Department were requested to ensure that the expenditure on TA/ DA in respect of officers/ staff under-taking torus/visits in India or abroad is met from the Ministries/ Departments budgets and in no case should the expenditure be passed on to the Public Sector Undertakings Autonomous bodies, even if such officers/ staff are required to undertake travel in connection with the matters concerning non-Government organizations.

3. Representations have been received from some Ministries/Departments that since the officers nominated as Directors/ representatives or nominees of the Government of India on such Public Sector Undertakings/ Institutions have to travel often to attend the meetings of such Public Sector Undertakings etc. the budget provision in the Department budget was found inadequate to meet the requirement of such travels.

4. The matter has been re-examined in the light of the difficulties experienced and in supersession of O.M.No 5 (47) E. IV (B)/63 dt. 5th July, 1965, as amended from time to time and in partial supersession of O.M. No. 7 (28) E.Coord/91 dt. the 6th Jan, 92 it has now been decided that the grant of travelling allowance and fees etc.to the Government servants appointed in their official capacity as Directors/ representatives or nominees of the Government on various public sector undertaking/ Institutions will henceforth be regulated in the following manner:

5. Fees & other remuneration:- Fees in respect of Government servants for attending meetings or for doing other work in connection with the affairs of Statutory organizations, Corporate bodies, industrial and commercial undertaking are, at present, recoverable only from organization not wholly owned by the Central Government. The cases of semi-Government /non-Government institution receiving grants from the Central Government were to be considered on merits, in consultation with the Financial Adviser. These orders will continue. No fees or other remuneration should be directly accepted by Government servants unless they are specially permitted to receive such fees under FR 46 and SRs 11& 12.

6. Travelling & Daily Allowance

6.1 The officers before proceeding on tour on behalf of PSUs autonomous bodies etc. should get their tour programme approved by the controlling officers.

6.2 If such journeys are solely or mainly in connecting with the affairs of the undertakings, etc. the whole expenditure on travelling & daily allowance of the Government servants should be directly met by the Public sector undertaking /Institutions concerned without the expenditure entering into the Government accounts. The question of issuing of exchange voucher for air tickets, sanction of tour advances, etc. by the Department/Ministries will, therefore, not arise.

6.3 In case, however, the journeys and halts are mainly in connection with the affairs of the Government and only partly for the work of the Public Sector Undertakings/ Institutions, the entire expenditure should be met by the Ministries/ Departments and no amount need be recovered from the Undertakings etc.

6.4 The entitlements of the officers should correspond to the entitlement under the Government rules. In such cases, the claim for daily allowance due to the Government Directors/representatives/nominees etc. for attending the meetings of the Board of Directors of the Public Sector undertakings will be paid by such Public Sector Undertakings/ Institutions directly to these officers, as mentioned above on the rates applicable to Government servants.

7. Foreign travel on behalf of PSUs/ABs:- Officers proceeding on tour on behalf of PSUs/autonomous bodies/institutions etc. should get their foreign tour programmes approved by following the normal procedure i.e. under the delegated powers of the Ministries/Department or with the prior approval of the Screening Committee as is applicable in each case. The Public Sector undertakings/autonomous bodies/Institutions will bear the cost of deputation aboard of the Government official concerned on a scale applicable to them under the Government instructions. It will be ensured that these officers will be given facilities strictly as per their entitlements under the Government rules in respect of cash allowance, accommodation and class of travel by air etc. The entire expenditure will be borne by the PSUs/Institutions directly without the expenditure entering the Government accounts.

8. Hindi version of this O.M. is enclosed.

[DPE OM No. 19045/1/93-E.IV Fin dt: 12th Feb. 1993.]

Subject:- Fees/Travelling Allowance etc. of Govt. Servants-appointed as Director/Representatives or nominees of the Govt. of India on central public sector enterprises etc.

All Ministries/Department of the Govt. of India were issued instructions vide this Ministry's O.M. of even number dated 12th Feb. 1993 on the above mentioned subject with a view to ensure that the Central Govt. officers, holding additional charge of PUSs, will be given facilities strictly as per their entitlements under the Central Govt. rules in respect of cash allowance, accommodation and class of travel by air, etc.

2. It has been observed that the officers, who are holding additional charge or some posts in public sector Undertakings in addition to their substantive poste in the Govt., sometimes draw excess money to meet their functional obligation at rates as are admissible to their counterparts in the concurred PUSs, which is against the spirit of this Department's above referred O.M

3. It is once again brought to the notice of all Ministries/Department/PSUs that the Central Govt. Offices holding additional change of PSUs etc. will be entitled to the same facilities like TA/DA/cash allowance etc. as are admissible to them in the Central Govt. and the expenditure on this account will be met from the budget of the concerned Government department/agency..

[DPE OM No. 19045/1/93-E.IV Fin dt. 12th January. 1999.]

[DPE OM No. DPE/8(3)/14-Fin Dated 10th May, 2013]

29. Implementation of Policies and Guidelines issued by Department of Public Enterprises.

The undersigned is directed to refer this Office OM of even No. dated 29.07.2010 and 28.06.2011 on the above mentioned subject.

2. The format for Annual Compliance Report (ACR) has been revised to include a certificate of compliance of DPE guidelines on specific subjects in addition to the certificate of non-compliance of DPE guidelines on all

the subjects. Revised format of ACR is enclosed herewith which will be applicable for ACRs to be submitted on or after 1.4.2015.

3. Instructions issued vide DPE OM No. 14(38)/10-Fin dated 29.07.2010(copy enclosed) for submission of ACRs by CPSEs and consolidated report by Administrative Ministries/ Departments are reiterated.

4. The administrative Ministries and the Central Public Sector Enterprises are advised to take appropriate measures for strict compliance of the above directions.

Subject:- Implementation of Policies and Guidelines issued by Department of Public Enterprises.

Department related Parliamentary Standing Committee on Industry in its 216th report has recommended that in order to play a meaningful and effective role in getting the policies and guidelines implemented by the PSEs, Development of Public Enterprises should ask for the compliance report from the PSEs about the implementation of the policies and guidelines formulated by it from time to time and separate paragraph thereon may be incorporated in the Annual Report of this Ministry.

2. The above recommendation has been accepted by the Government. It has been decided that all CPSEs will submit annual compliance report within 30 days from the end of the preceding financial year to the concerned administrative Ministry which will consolidate the same for all CPSEs under its administrative control and forward it to the Department of Public Enterprise by 30TH June every year. In case of non-compliance of any of the guidelines, the reasons for the same and comments of concerned administrative Ministry should be incorporated in such consolidated report.

3. The administrative Ministries and the Central PUBLIC Sector Enterprises are advised to take appropriate measure for strict compliance of the above direction.

4. This issues with the approval of Minister for Heavy Industries & Public Enterprises.

[DPE No. F.No. DPE/14/ (38)/10-Fin dt. 29th July, 2010]

COMPLIANCE REPORT OF GUIDELINES ISSUED BY DEPARTMENT OF PUBLIC ENTERPRISES

This is certified that(Name of CPSE) have complied with all the guidelines issued by DPE from time to time on various subjects during financial yearexcept the following :-

S.No.	Subject	Applicable Guideline DPE OM No. & Date	Reasons for Non- Compliance/Exemption taken
1.			
2.			
3.			
4.			
5.			

Further certificate on compliance of specific DPE guidelines is Annexed.

(Signature of CEO)

To
The Secretary (Concerned Administrative Ministry/Department)

CERTIFICATE ON COMPLIANCE OF SPECIFIC DPE GUIDELINES

Name of CPSE.....Financial year.....
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Sl.No	Subject	Applicable Guidelines DPE OM.No.& Date	Whether complied or not	If not, reasons for non- compliance Exemption taken/Remarks
1.	Expenditure Management— Economy Measure and Rationalization of Expenditure regarding.	DPE/3(4)/2008-Fin dated 15.10.2013		
2.	Issue of bonus share by Public Sector undertaking	DPE/13(21)/2011-Fin dated 25.11.2011 DPE 12(6)/1995-Fin dated 10.11.95		
3.	Effective implementation of Public Procurement Policy for Micro & Small Enterprises (MSEs) order 2012	DPE/7(4)/2007-Fin dated 06.12.2012		
4.	Dividend Declaration	DPE 15(10)/2004-GM dated 18.10.2004		
5.	Payment of PRP/PLI/Payment of cash reward/Ex-gratia.	2(49)/98-DPE(WC) dated 25.6.99 & 27.03.2000 2(70)/08 DPE (WC) dated 26.11.08, 09.02.2009 & 2(21)/11 DPE (WC) dated 06.07.2011 2.(8)/12- DPE (WC) dated 18.09.2013		
6.	Calculation of Earned leave at the time of retirement	2(2)/85-DPE(WC) dated 11.12.2008		
7.	Encashment of Earned leave and half pay leave at the time of retirement	2(14)/2012-DPE(WC) dated 17.07.2012		
8.	Recovery of rent from executives of CPSEs on leased/self-leased accommodation provided by CPSEs	2(8)/91-DPE (WC) dated 03.03.1992 2(50)/86-DPE(WC) dated 19.07.1995 2(32)/10-DPE(WC) dated 26.10.2010 2(68)/08-DPE(WC) dated 20.03.2012		
9.	Payment of perquisite tax by CPSEs on behalf of their executives	2(70)/08-DPE(WC) dated 26.11.2008		

Sl.No	Subject	Applicable Guidelines DPE OM.No.& Date	Whether complied or not	If not, reasons for non- compliance Exemption taken/Remarks
10.	Exemption of posts in CPSEs from rule of immediate absorption	No.18(6)/2011-GM-GL-77 dated 28.12.2010		
11.	Guideline on Corporate Governance for CPSEs	No.18(8)/2005-GM dated 14.05.2010		
12.	Model Grievance Redressal Procedure for Staff and Officers in the CPSE	No. 16(84)/82-GM dated 5.9.1985		
13.	Presidential Directives on Reservation for SC.ST in PSEs	No. 6(19)/1989-BPE (SC/ST cell) dated 25.06.1991		
14.	Presidential Directive on Reservation for OBC in PSEs	No. 6(64)/94-DEP BPE (SC/ST cell) dated 27.07.1995		
15.	Reservation for the physically handicapped persons in group 'A'	No 6(21)/1995-DPE (SC/ST cell) dated 11.03.1997		
16.	Reservation of posts in Public Enterprises for Ex-servicemen and Department of those killed in Action	No. 6(55)/1979-BPE (GM-I) dated 22.01.1980		
17	Investment of Surplus Funds by	DPE4(3)/94-Fin. dated 27.06.1994, DPE 4(6)/94-Fin. dated 14.12.1994, DPE4(6)/94-Fin. dated 01.11.1995 DPE 4(6)/94-Fin. dated 11.03.1996 DPE 4(6)/94-Fin. dated 02.7.1996 DPE 4(6)/94-Fin. dated 14.02.1997 DPE 4(6)/94-Fin. dated 25.11.1999 DPE 4(6)/94-Fin. dated 29.09.2005 DPE 4(6)/94-Fin. dated 31.08.2007 DPE 11(47)/2006-Fin. dated 04.12.2007 DPE 11(47)/2006-Fin. dated 11.04.2008 DPE 11(47)/2006-Fin. dated 15.04.2008 DPE 11(47)/2006-Fin dated 14.08.2008 DPE 18(01)/2008-Fin. dated 15.12.2008 DPE11(15)/08-Fin. dated 12.01.2009 DPE/18(01)/2008-Fin dated 24.02.2009 DPE/18(01)/08-Fin dated 13.08.2012		

[DPE OM No. DPE/14(38)/10-Fin dated 15th September, 2014]

30. Expenditure Management - Economy Measures and Rationalization of Expenditure - regarding

The undersigned is directed to enclose herewith Department of Expenditure OM No. 7(1)/E.Coord/14 dated 29th October, 2014 on the above subject and to say that instructions would be effected mutatis mutandis on the expenditure of CPSEs.

2. Utmost economy shall be observed in expenditure on conferences, seminars/ workshops /exhibitions/ fairs/ traveling expenses etc. There will be 10% mandatory cut on such expenditure budgeted in the current year. In case there is no separate budget, for expenditure on these items, cut of 10% may be made on the basis of expenditure actually incurred on such items in previous year (2013-14)

3. Chief Executive Officers of CPSEs shall be responsible for ensuring the compliance of the measures outlined in this O.M.

4. Wherever a relaxation from the extant instructions is necessary in the interest of industrial growth, business development and capacity building of the human resources as envisaged in their business plans, the same should be considered on a case - to -case basis with the approval of Department of Public Enterprises as well as Administrative Ministry.

5. Board of Maharatna & Navratna CPSEs may in relaxation of DoE OM No. 7(1)/E.Coord/14 dated 29th October, 2014 consider creation of below board level posts in terms of DPE O.M.No. 22(1)/2009-GM dated 4th February 2010 and DPE O.M. No.11 (2)/97-Fin. dated 22nd July 1997 respectively whenever such creation is considered necessary in the interest of industrial growth and business development as envisaged in their business plans on case to case basis.

6. Creation of posts by Navratna CPSEs at the level of E7 and above grades may be done after obtaining the approval of the Administrative Ministries/Departments as provided in DPE O.M. No. 16(11)/2008-GM dated 4th November 2008

7. All the Administrative Ministries/Departments are requested to issue suitable instructions to CPSEs under their administrative control for strict compliance.

8. This issues in consultation with integrated finance Wing of Ministry of HI & PE vide their U.O.No.573/Fin-III, dated. 14.11.2014.

9. These instructions are issued with approval of Minister of Heavy Industries & Public Enterprises.

Subject: Expenditure Management - Economy Measures and Rationalisation of Expenditure.

Ministry of Finance, Department of Expenditure has been "" issuing austerity instructions from time to time with a view to containing non-developmental expenditure and releasing of additional resources for priority schemes. The last set of instructions was issued on is" September 2013 after passing of the Union Budget. Such measures are intended at promoting fiscal discipline, without restricting the operational efficiency of the Government. In the context of the current fiscal situation, there is a need to continue to rationalise expenditure and optimize available resources. With this objective, the following measures for fiscal prudence and economy will come into immediate effect:-

2.1 Cut in Non-Plan expenditure:

For the year 2014-15, every Ministry / Department shall effect a mandatory 10% cut in non-Plan expenditure excluding interest payment, repayment of debt, Defence capital, salaries, pension and Finance Commission grants to the States. No re-appropriation of funds to augment the Non-Plan heads of expenditure on which cuts have been imposed shall be allowed during the current fiscal year.

2.2 Seminars and Conferences:

- (i) Utmost economy shall be observed in organizing conferences/ Seminars/workshops. Only such conferences, workshops, seminars, etc. which are absolutely essential, should be held wherein also a 10% cut on budgetary allocations (whether Plan or Non-Plan) shall be effected.
- (ii) Holding of exhibitions/fairs/seminars/conferences abroad is strongly discouraged except in the case of exhibitions for trade promotion.
- (iii) There will be a ban on holding of meetings and conferences at five star hotels except in case of bilateral/multilateral official engagements to be held at the level of Minister-in-Charge or Administrative Secretary, with foreign Governments or international bodies of which India is a Member. The Administrative Secretaries are advised to exercise utmost discretion in holding such meetings in 5-Star hotels keeping in mind the need to observe utmost economy in expenditure.

2.3 Purchase of vehicles:

Purchase of new vehicles to meet the operational requirement of Defence Forces, Central Paramilitary Forces & security related organizations are permitted. Ban on purchase of other vehicles (including staff cars) will continue except against condemnation.

2.4 Domestic and International Travel:

- (i) Travel expenditure {both Domestic Travel Expenses (DTE) and Foreign Travel Expenses(FTE)} should be regulated so as to ensure that each Ministry remains within the allocated budget for the same after taking into account the mandatory 10% cut under DTE/FTE (Plan as well as Non-Plan). Re-appropriation! augmentation proposals on this account would not be approved.
- (ii) While officers are entitled to various classes of air travel depending on seniority, utmost economy would need to be observed while exercising the choice keeping the limitations of budget in mind. However, there would be no bookings in First Class."
- (iii) Facility of Video Conferencing may be used effectively. All extant instructions on foreign travel may be scrupulously followed.
- (iv) In all cases of air travel the lowest air fare tickets available for entitled class are to be purchased! procured. No companion free ticket on domestic/ international travel is to be availed of.

2.5 Creation of Posts

- (i) There will be a ban on creation of Plan and Non-Plan posts.
 - (ii) Posts that have remained vacant for more than a year are not to be revived except under very rare and unavoidable circumstances and after seeking clearance of Department of Expenditure.
3. Observance of discipline in fiscal transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/ State/Local level:
- 3.1 Release of Grant-in-aid shall be strictly as per provisions contained in GFRs and in Department of Expenditure's OM No.7(1)/E.Coord/2012 dated 14.11.2012.
 - 3.2 Ministries/Departments shall not transfer funds under any Plan schemes in relaxation of conditions attached to such transfers (such as matching funding).

3.3 The State Governments are required to furnish monthly returns of Plan expenditure - Central, Centrally Sponsored or State Plan - to respective Ministries/Departments along with a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes. This requirement may be scrupulously enforced.

3.4 The Chief Controller of Accounts must ensure compliance with the above as part of pre-payment scrutiny.

4. Balanced Pace of Expenditure:

4.1 As per extant instructions, not more than one-third (33%) of the Budget Estimates may be spent in the last quarter of the financial year. Besides, the stipulation that during the month of March the expenditure should be limited to 15% of the Budget Estimates is reiterated. It may be emphasized here that the restriction of 33% and 15% expenditure ceiling is to be enforced both scheme-wise as well as for the Demands for Grant as a whole, subject to RE ceilings. Ministries/ Departments which are covered by the Monthly Expenditure Plan (MEP) may ensure that the MEP is followed strictly.

4.2 It is also considered desirable that in the last month of the year payments may be made- only for the goods and services actually procured and for reimbursement of expenditure already incurred. Hence, no amount should be released in advance (in the last month) with the exception of the following:

- (i) Advance payments to contractors under terms of duly executed contracts so that Government would not renege on its legal or contractual obligations.
- (ii) Any loans or advances to Government servants etc. or private individuals as a measure of relief and rehabilitation as per service conditions or on compassionate grounds.
- (iii) Any other exceptional case with the approval of the Financial Advisor. However, a list of such cases may be sent by the FA to the Department of Expenditure by so" April of the following year for information.

4.3 Rush of expenditure on procurement should be avoided during the last quarter of the fiscal year and in particular the last month of the year so as to ensure that all procedures are complied with and there is no infructuous or wasteful expenditure. FAs are advised to specially monitor this aspect during their reviews.

5. No fresh financial commitments should be made on items which are not provided for in the budget approved by the Parliament.

6. These instructions would also be applicable to autonomous bodies funded by Government of India.

7. Compliance

Secretaries of the Ministries / Departments, being the Chief Accounting Authorities as per Rule 64 of GFR, shall be fully charged with the responsibility of ensuring compliance of the measures outlined above. Financial Advisors shall assist the respective Departments in securing compliance with these measures and also submit an overall report to the Minister-in-Charge and to the Ministry of Finance on a quarterly basis regarding various actions taken on these measures / guidelines.

[DPE OM No. No.7(1)/E.Coord.2014 dated 29th October, 2014]

[DPE OM No. DPE/3(4)/08-Fin Dated 26th November, 2014]

CHAPTER IV

MAHARATNA/NAVRATNA/MINIRATNA

1. Turning selected public sector enterprises into global giants—grant of autonomy.

The Common Minimum Programme of the Government states, inter-alia, that Government will identify public sector companies that have comparative advantages and support them in their drive to become global giants. In pursuance of these objectives, the Government have decided to grant the enhanced autonomy and delegation of powers subject to the guidelines mentioned below.

2. The Government has decided the following delegation of decision making authority to the Boards of PSEs:—

- (i) To incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.
- (ii) To enter into technology joint ventures or strategic alliances.
- (iii) To obtain by purchase or other arrangements, technology and know-how.
- (iv) To effect organizational restructuring including establishment of profit centers, opening of offices in India and abroad, creating new activity centers, etc.
- (v) Creation and winding up of all posts including and up to those of non-Board level Directors i.e. Functional Directors who may have the same pay scales as that of Board level Directors, but who would not be members of the Board. All appointments up to this level would also be in the powers of the Boards and would include the power to effect internal transfers and redesignation of posts.
- (vi) To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.
- (vii) To raise debt from the domestic capital markets and for borrowings from international market, which would be subject to the approval of RBI/Department of Economic Affairs as may be required and should be obtained through the administrative Ministry.
- (viii) To establish financial joint ventures and wholly owned subsidiaries in India or abroad with the stipulation that the equity investment of the PSE should be limited to the following:
 - (1) Rs.200 crores in any one project
 - (2) 5 per cent of the net worth of the PSE in any one project
 - (3) 15 per cent of the net worth of the PSE in all joint ventures/subsidiaries put together.

3. While normally the investment would be done directly by the parent PSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provides the additional capital for this purpose, the stipulations incorporated in points (viii) – (2) & (3) above would be in the context of the parent company.

4. The existing decision making powers vested in various agencies would stand altered to give effect to the proposed delegation to the PSEs and the necessary changes in the rules, notification, instructions, articles/ memoranda of association, etc. shall be carried out by the concerned Department where required.

5. The above would be subject to the following conditions and guidelines:-
- a) The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors if any must be clearly brought out.
 - b) The Government Directors, the Financial Directors and the concerned Functional Director (s) must be present when major decisions are taken, especially when they pertain to investments, expenditure or organizational/capital restructuring.
 - c) The decisions on such proposals should preferably be unanimous.
 - d) In the event of any decision on important matters not being unanimous, a majority decision may be taken, but at least two thirds of the Directors should be present, including those mentioned above, when such a decision is taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.
 - e) No financial support or contingent liability on the part of the Government should be involved.
 - f) These PSEs will establish transparent and effective systems of internal monitoring, including the establishment of an Audit Committee of the Board with membership of non-official Directors.
 - g) All the proposals, where they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they would have a long term impact on the structure and functioning of the PSE, should be prepared by or with the assistance of professionals and experts and should be appraised, in suitable cases, by financial institutions or reputed professional organizations with expertise in the areas. The financial appraisal should also preferably be backed by an involvement of the appraising institutions through loans or equity participation.
 - h) The exercise of authority to enter into technology joint ventures and strategic alliances as referred to in para 2 (ii) above shall be in accordance with the Government guidelines as may be issued from, time to time.
 - i) The Boards of these PSEs should be restructured by inducting non-official Directors as the first step before the exercise of the enhanced delegation of authority, as indicated vide DPE's OM of even number dated the 22nd July, 1997.
 - j) These public sector enterprises shall not depend upon budgetary support or Government guarantees. The resources for implementing their programmes should come from their internal resources or through other sources, including the capital markets.
6. This grant of autonomy to the Boards of PSEs, as indicated above, is specific to the 9 enterprises identified by the Govtviz, BHEL, BPCL, HPCL, IOC, IPCL, NTPC, ONGC, SAIL and VSNL.
7. Administrative Ministries may please bring the contents of the Govt decision to the notice of these enterprises.

(DPE O.M. No. DPE/11(2)/97-Fin. dated 22nd July, 1997)

2. Turing selected public sector units into global giants—monitoring of performance towards globalization effort.

The Common Minimum Programme of the Government states, inter-alia, that Government will identify public sector companies that have comparative advantages and support them in their drive to become global giants.

In pursuance of these objectives, the Government have already issued guidelines for restructuring of the Boards of nine identified public sector enterprises and grant of autonomy on various issues, vide two OM's of even number dated the 22nd July, 1997.

2. With the grant of autonomy and the measures taken for restructuring of the PSE Boards, it is necessary that monitoring of the performance of these PSEs is done with utmost seriousness. In this regard, the Government feel that the monitoring of the performance of the enterprises should be done primarily by their own Boards. The administrative Ministry should also continue to monitor the performance. The performance assessments should be carried out preferably on a quarterly basis, by a team consisting of the Secretary of the administrative Ministry, the Chief Executives of the PSE concern and one more outside expert.

3. At the apex level, however, a Committee of Secretaries headed by the Cabinet Secretary has been set up as a forum for inter-Ministerial discussions and continuous overview of the globalisation effort. This Committee would include Member Secretary, Planning Commission, Finance Secretary or Secretary (Expenditure), Ministry of Finance, the Secretary of the administrative Ministry concern and the Secretary, Department of Public Enterprises. The Secretary, Department of Public Enterprises is the Convener.

4. The formulation of specific vision statements, micro-level strategies and implementation of various measures have to be done by the PSEs. The selected nine enterprises should complete their vision statement and draw up the outline of the strategy and present the proposals to the Department of Public Enterprises for submission to the Committee of Secretaries at the earliest, but not later than 90 days after the date of issue of this OM. This would be a dynamic exercise subject to modifications, but a basic picture and vision must emerge at the earliest. Periodic monitoring, specifically in the context of globalization vision, targets and strategies would be done by the Committee of Secretaries.

5. The above monitoring mechanism may please be brought to the notice of the Navratna enterprises under your administrative control.

(DPE O.M. No.DPE/11(2)/97-Fin. dated 22nd July, 1997)

3 Turning selected PSEs into global giants-Restructuring of the Boards-setting up of a Search Committee for selection of non-official part-time Directors. (DPE O.M. No.DPE/11(2)/97-Fin. dated 22nd July, 1997)

The Common Minimum Programme of the government states, inter-alia, that the Government will identify public sector companies that have comparative advantages and support them in their drive to become global giants. As part of the exercise, the Government has given priority for restructuring of the public sector Boards through induction of professionals and experts in relevant field as non-official part-time Directors.

2. In pursuance of the above decision, the Government has set up a Search Committee to recommend to the Administrative Ministry concerned the panel of non-official part-time Directors who could be considered for induction in respective enterprises. The Search Committee comprises the following:—

- (i) Chairman, Public Enterprises Selection Board
- (ii) Secretary of the Administrative Ministry concern
- (iii) Secretary, Department of Public Enterprises.

3. The final selection based on the recommendations of this Search Committee shall be made by the Administrative Ministry. There shall be no separate requirement for any specific clearances for vigilance for

non-official part-time Directors, and the stipulation of the Companies Act regarding qualifications/disqualifications for Directors as applicable to public limited companies would apply in these cases also.

4. The Search Committee shall mainly be concerned with the selection on the non-official part-time directors of the Navratna Companies, namely, Bharat Heavy Electricals Ltd., Bharat Petroleum Corporation Ltd., Hindustan Petroleum Corporation Ltd., Indian Oil Corporation Ltd., Indian Petro-Chemicals Corporation Ltd., National thermal Power Corporation Ltd., Oil & Natural Gas Corporation Ltd., Steel Authority of India Ltd., and Videsh Sanchar Nigam Ltd. However, the Search Committee may also consider taking up other important enterprises under its purview for recommending the non-official part-time Directors.

5. The above may please be brought to the notice of the public enterprises under the administrative control of different Ministries/ Departments.

(DPE O.M. No.DPE/11(2)/97-Fin. dated 22nd July, 1997)

4. Turning selected Public Sector Enterprises into global giants—Navratnas

The Government has, vide DPE OM No.DPE/11(2)/97-Fin. Dated the 22nd July, 1997, granted enhanced autonomy and delegation of powers to selected public sector enterprises (Navratnas), which include, inter-alia, the decision making authority to incur expenditure on purchase of new items 'or for replacement, without any monetary ceiling.

2. A confirmation has been sought by some Navratnas that in view of this delegation of authority, they are no longer required to obtain Government approval, including that from the PIB for setting up new projects or for expansion and that they can do so and incur the necessary capital expenditure within the enhanced delegation of powers.

3. This is to clarify that the above mentioned powers in para 2 (i) regarding incurring of capital, expenditure gives full authority to the Boards of the Navratnas, subject to the guidelines mentioned in the OM under reference, and that it is not necessary for them to obtain Government approval, including PIB approval for the above purpose including for setting up of new projects or expansion. This, however, does not cover environmental or similar other clearances, required statutorily or under specific instructions.

4. The OM No.DPE/16/22/90-Fin. Dated 6.5.97 of this Department on the subject also stands modified accordingly.

(DPE O.M. No. DPE/11(2)/97-Fin. dated 26th September, 1997)

5. Financial and operational autonomy for profit making public sector enterprises—Mini-Ratnas.

In pursuance of the policy objective to make the public sector more efficient and competitive, Government have decided to grant enhanced autonomy and delegation of powers to the profit making public sector enterprises, subject to the eligibility criteria and guidelines as mentioned below and subsequently in this Memorandum.

2. Eligibility and classification

2.1 **Category-I PSEs:** PSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs.30 crores or more in at least one of the three years and should have a positive net worth.

2.2 **Category-II PSEs:** These PSEs should have made profit for the last three years continuously and should have a positive net worth.

2.3 These PSEs shall be eligible for the enhanced delegated powers provided they have not defaulted in the repayment of loans/interest payment on any loans due to the Government.

2.4 These public sector enterprises shall not depend upon budgetary support or Government guarantees.

2.5 The Boards of these PSEs should be restructured by inducting at least three non-official Directors as the first step before the exercise of enhanced delegation of authority, as indicated vide DPE's OM of even number dated the 9th October, 1997.

The administrative Ministry concerned shall decide whether a Public Sector Enterprise fulfilled the requirements of a Category-I/Category-II company before the exercise of enhanced powers.

3. The delegation of decision-making authority available to the Boards of the eligible PSEs would be as follows:

3.1 Capital Expenditure

3.1.1 **For PSEs in Category-I:** To incur capital expenditure on new projects, modernization, purchase of equipment, etc. without Government approval upto Rs.300 crores, or equal to their net worth, whichever is lower.

3.1.2 **For PSEs in Category-II:** To incur capital expenditure on new projects, modernization, purchase of equipment, etc. without Government approval up to Rs.150 crores or up to 50% of their net worth, whichever is lower.

3.2 Joint Ventures, Subsidiaries and Overseas Offices

3.2.1 **For PSEs in Category-I:** To establish joint ventures and subsidiaries in India, with the stipulation that the equity investment of the PSEs should be limited to Rs.100 crores in any one project, should not exceed 5% of the net worth of the PSE in any one project, or 15% of the net worth of the PSE in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalized with the concurrence of the administrative Ministries.

3.2.2 **For PSEs in Category-II:** To establish joint ventures and subsidiaries in India, with the stipulation that the equity investment of the PSEs should be limited to Rs.50 crores in any one project, should not exceed 5% of the net worth of the PSE in any one project, or 15% of the net worth of the PSE in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalized with the concurrence of the administrative Ministries.

3.3 Technology joint ventures and strategic alliances

3.3.1 **For PSEs in both categories:** To enter into technology joint ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements subject to Government guidelines as may be issued from time to time.

3.4 Schemes for HRD

3.4.1 **For PSEs in both categories:** To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.

[**Note:** If in some exceptional and unanticipated situation, the revised enhanced limits for incurring capital expenditure in paras 3.1.1 and 3.1.2 become lower than the existing limits, then the existing powers based on the gross block calculations will continue to remain valid]

4. The existing decision making powers vested in various agencies would stand altered to give effect to the proposed delegation to the PSEs and the necessary changes in the rules, notifications, instructions, articles/ memoranda of association, etc. shall be carried out by the concerned Department where required.
5. The above delegation on powers would be subject to the following conditions and guidelines:
 - 5.1 The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors if any must be clearly brought out.
 - 5.2 All the proposals, where they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they would have a long term impact on the structure and functioning of the PSE, should be prepared by or with the assistance of professionals and experts and should be appraised, in suitable cases, by financial institutions or reputed professional organizations with expertise in the areas. The financial appraisal should also preferably be backed by an involvement of the appraising institutions through loans or equity participation.
 - 5.3 No financial support or contingent liability on the part of the government should be involved. These public sector enterprises shall not depend upon budgetary support or Government guarantees.
 - 5.4 Before taking decisions involving long-term or major financial commitments, including and especially for new projects and joint ventures, the internal and extra-budgetary resource position and projections should be assessed realistically.
 - 5.5 The Government Directors, the Finance Director and the concerned Functional Director(s) must be present when major decisions are taken, especially when they pertain to investments, expenditure or organizational/capital restructuring.
 - 5.6 The decisions on such proposals should preferably be unanimous.
 - 5.7 In the event of any decision on important matters not being unanimous, a majority decision may be taken, but at least two-thirds of the Directors should be present, including those mentioned above, when such a decision is taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.
 - 5.8 These PSEs will establish transparent and effective systems of internal monitoring, including the establishment of an Audit Committee of the Board with membership of non-official Directors.
6. Administrative Ministries may please bring the contents of the Government decision to the notice of these enterprises.

(DPE O.M. No.11/36/97-Fin. dated 9th October, 1997)

6. Financial and operational autonomy for profit making enterprises (Miniratnas)—Monitoring of performance.

In pursuance of the policy objective to make the public sector more efficient and competitive, the Government have already issued guidelines for grant of enhanced autonomy on various issues to eligible profit making public enterprises and for restructuring of their Board vide two OMs of even number dated 9.10.97.

2. The monitoring of the performance of these PSEs would be done primarily by their own Boards. The Administrative Ministry should also continue to monitor the performance. This performance assessment should be carried out on a quarterly basis, by a team consisting of the Secretary of the administrative Ministry, the

CEO of the PSE and one or more outside experts. In this monitoring, special attention must be paid to the areas technology and to R&D. the PSEs should themselves pay special attention to the assessment of their own technology status, to acquiring and assimilating technologies necessary to make them competitive, and to their own R&D efforts to maintain a sustained strength in the technological field. They should set up a Board level Committee for this purpose.

3. At the apex level, a group consisting of the Secretary (Public Enterprises), Secretary (Expenditure), Secretary (Planning Commission) and the Administrative Secretary (or their representatives not below the level of Joint Secretary) shall function as the forum for inter-Ministerial discussions and continuous overview of the performance of the PSE. This group will take note of the strategic planning and targets of the PSEs and would review their performance periodically. The objective of this group would also be to provide a pro-active and positive support to PSEs in their performance improvement.

4. These enterprises may continue to enter into Memoranda of Understanding with the Administrative Ministries in which targets relating to various activities and performance parameters would be laid down. It should be ensured that meaningful and challenging performance targets are fixed and this should be done by a team consisting of nominees of the administrative Ministry, DPE and outside expert (s).

5. The above review and monitoring mechanism may please be brought to the notice of the enterprises under your administrative control and made operative with immediate effect.

(DPE O.M. No. DPE/11/36/97-Fin. dated 9th October, 1997)

7. Inclusion of MTNL and GAIL in the list of Navratnas

The Government of India had granted enhanced financial and operational autonomy to 9 selected PSEs to help them become global giants. Guidelines to this effect were issued vide DPE OM's of even number dated 22.7.97 (4 separate guidelines copies enclosed). Another clarification regarding requirement of PIB approvals etc. by these Navratna enterprises was issued vide DPE OM No.DPE/11(2)/97-Fin. Dated 26.9.97 (copy enclosed)

2. Government have now decided to accord Navratna status to Mahanagar Telephone Nigam Limited (MTNL) and Gas Authority of India Limited (GAIL) also. Accordingly, both these PSEs would be eligible for the enhanced financial and operational autonomy, mentioned in the guidelines referred to above, subject to the stipulated conditions and procedures, including for monitoring and appointment of non-official Directors.

3. The above decision of the Government may please be brought to the notice of both MTNL and GAIL.

(DPE O.M. No. DPE/11(2)/97-Fin. dated 11th November, 1997)

8. Delegation of financial powers to Mini Ratna Enterprises

The detailed guidelines on delegation of financial powers to Mini Ratna Enterprises were issued vide DPE's OM of even number dated the 9th October, 1997. Since the issue of these guidelines, some queries have been raised by the PSUs and the Administrative Ministries seeking clarifications on certain points on delegation of financial powers and restructuring of Boards of Mini Ratna enterprises etc.

These issues raised have been examined in detail. The gist of the points raised by the PSUs/ Administrative Ministries and the clarifications thereto as under:—

Sl. No.	Issues raised by Administrative Ministries	Response of DPE
1.	Whether any financial assistance or budgetary support can be extended by the Govt. to Mini Ratna PSUs in any form like grants in aids, soft loans etc.	Yes, but once budgetary support is taken, they will no longer remain eligible for the Mini Ratna status.
2.	Whether the restriction of Govt. guarantees applies to issue of fresh Govt. guarantees or applies to extension of existing Govt. guarantees also	This would apply to both.
3.	Whether the company should be declared as Mini Ratnas in the first instance or parallel action could be taken for appointment of non official Directors	It can be declared as Mini Ratnas based on the eligibility criteria, and the action regarding the appointment of non official Directors can be taken separately.
4.	Whether the financial limits of capital expenditure as per DPE guidelines on Mini Ratnas are the limits for one project or for one year.	The financial limits of capital expenditure are project/activity related.
5.	As per DPE guidelines the proposal on capital expenditure/ investment should be prepared by or with the assistance of professionals and experts. Whether PSUs are free to select the experts or some panel is maintained or certain guidelines are to be issued by the Govt.	The Public Enterprises are free to select the professionals and other experts, as per their requirements. in this regard.
6.	Whether the existing system of Adhoc Task Force (ATF) for performance evaluation in MOU would continue for monitoring of performance.	Yes
7.	Whether the instructions issued by DPE regarding appointment of non official part time Directors, who are professional experts of repute are mandatory or optional.	The instructions regarding appointment of non official part time Directors are mandatory for Mini Ratna enterprises.
8.	Whether after the PSUs have been identified as Mini ratnas or category one or two and non official Directors have been appointed any formal notification shall be issued by DPE according Mini ratna status to these PSUs.	No
9.	Whether the categorization of the PSU should be vetted by DPE	No, DPE should only be informed.
10.	Whether the Public Enterprises which do not declare dividend in accordance with guidelines issued by Ministry of finance should be categorized as Mini Ratnas, as they also indirectly depend upon government support through withholding dividend etc.	Dividend is not an eligibility criteria for Mini Ratnas

All the Administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for their information and necessary action.

(DPE O.M. No. DPE/11(36)/97-Fin. dated 17th February, 1998)

9. Amendment in the Articles of Association of Mini-Ratna companies—Approval of DPE.

Reference is invited to the Department of Public Enterprises' OM No.11/36/97-Fin. Dated 9.10.97 giving financial and operational autonomy for profit making public sector enterprises categorized as Mini-Ratna.

2. Para 4 of the said OM mentioned "The existing decision making powers vested in various agencies would stand altered to give effect to the proposed delegation to the PSEs and the necessary changes in the rules, notifications, instructions, articles/memoranda of association, etc. shall be carried out by the concerned Department where required." This Department has been receiving proposal for amendment of Articles of Association/Memorandum of Association etc. for its vetting/approval. It is clarified once again that such amendments are to be carried out by the PSUs in consultation with the administrative Ministry, without referring it to the Department of Public Enterprises, and after complying with the provisions of the Companies Act.

(DPE O.M. No. DPE/13(26)/98-Fin.G.II dated 27th November, 1998)

10. Financial and operational autonomy for profit making enterprises (Mini-Ratnas)-Monitoring of performance.

The undersigned is directed to refer to this Department Office Memorandum of even number dated 9th October, 1997 on the above mentioned subject and to state that vide para 3 of the said OM, it was informed to the administrative Ministries/departments about the Govt. decision to constitute a Group consisting of the Secretary, Public Enterprises; Secretary, Expenditure; Secretary, Planning Commission and Administrative Secretary (or their representatives not below the level of Joint Secretary) to function as a forum for Inter-Ministerial discussion and continuous overview of the performance of the PSEs categories as Mini-Ratnas. This Group would take note of the strategic planning and targets of the PSEs and would review their performance periodically.

In pursuance of the above decision, it is requested that as soon as the Boards of the Mini-Ratnas Enterprises under the administrative charge of the Ministries/ Departments are restructured and non-official part time professional Directors are appointed, the Department of Public Enterprises may be informed of the same so that the Group of Secretaries or their representatives at Joint Secretary level as mentioned above, may be constituted for monitoring the performance of such enterprises.

(DPE O.M. No. DPE/11/36/97-Fin. (Mini) G.III dated 2nd December, 1998)

11. Laying down guidelines and parameters for the Board of Directors of Navratna PSUs to enter into technology joint venture and strategic alliances.

This is in continuation of DPE O.M. No. 11(2)/97-Fin. dated 22.7.97 granting financial and operational autonomy to Navratna PSUs, wherein exercise of authority to enter into technology joint venture and strategic alliances were exercised in accordance with the Government guidelines. These guidelines are:-

- (i) The selection of the partner for technology joint venture or strategic alliances and its processes etc. should be transparent. All such proposals must be presented to the Board of Directors in

writing and should contain evaluation in terms of commercial expediency, techno economic parameters, quantification of the likely benefits and risk factors, if any.

- (ii) The proposal should be examined and appraised by the Board of Directors when the Finance Director concerned functional Director(s) and at least two non-official part time Directors are present in the meeting.
- (iii) The rationale for approving or rejecting the proposal must be recorded in writing giving full justification.
- (iv) In the event of the decision on such proposals, not being unanimous, the objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted.
- (v) The policy and procedures of authorities like RBI, Foreign Investment Promotion Board (FIPB), Environment, etc., as laid down from time to time to be complied with.
- (vi) It must be ensured that the proposal should not be entirely to the benefit of the MNC(s) to enter into the Indian market.
- (vii) All the proposals involving investment over and above delegated powers, shall be submitted for approval of CCEA.
- (viii) The Board shall ensure that adequate representation is given to the company in the management and operation of its joint venture/strategic alliance. The extent of representation should be in proportion to their contribution.
- (ix) Joint ventures may be formed with such companies/MNC(s) where there is synergy between production/business line of the two partners and where both stand to gain, especially the Indian partner.
- (x) A comprehensive list of joint ventures formed and status thereof be submitted to DPE on half yearly basis. The yearly status on the progress and performance of the joint ventures formed would be submitted by DPE to the Committee of Secretaries.

(DPE OM No. 11(32)/96-Fin. dated 17th January, 2000)

12. Review of the performance of Navratna and Miniratna enterprises-grant/divestment of status thereof.

In pursuance of the recommendations of the Parliamentary Standing Committee on Industry, the issue of performance of Navratna and Miniratna Central Public Sector Undertakings vis-à-vis divestment of their status or the need to grant the Navratna/Miniratna status to the new enterprises, as the case may be, were engaging the attention of the Government.

2. Consequently, the matter has been reviewed by the Government. It has now been decided that henceforth the review of performance of the Navratna and Miniratna enterprises and divestment of their status or grant of Navratna or Miniratna status, as the case may be, would be decided in the following manner.

- (i) Apex Committee, headed by the Cabinet Secretary in the case of Navratna enterprises and Inter-Ministerial Committee headed by the Secretary, Department of Public Enterprises in the case of Miniratna enterprises would regularly review the performance of such companies.

- (ii) A comprehensive review would be undertaken every three years by the above mentioned respective committees with regard to maintenance of the Navratna/Miniratna status. The Apex Committee would lay down the format for such a review.
- (iii) The Apex committee would also review the operations of Navratna/Miniratna schemes every three years and would make recommendations in regard to further delegation of autonomy to these enterprises.
- (iv) The recommendations of the Apex committee, if any, for divestment of the Navratna status would be put up to the Minister (Heavy Industries and Public Enterprises) for approval through the Minister in-charge of the administrative Ministry concerned. In case of any disagreement, the matter would be put up to the Cabinet.
- (v) The recommendations of the divestment of Miniratna status would be dealt with by concerned administrative Ministry only.
- (vi) Recommendations for accordance of Navratna status to a CPSU would ordinarily not be placed before the Cabinet. Based on the recommendations of the Apex Committee these would be placed before the Minister for Heavy Industries and Public Enterprises for taking a final decision. But as in (iv) above, in case of disagreement, the matter would be put up to the Cabinet.

3. The administrative Ministries/Departments may please note the content of the above Government decisions and suitably bring this to the notice of the enterprises under their administrative control.

(DPE O.M. NO.DPE/4(8)/2000-Fin.-GL.-XXXXIX dated 11th June, 2001)

13 Review of performance of Navratna and Miniratna enterprises-grant/divestment of status thereof.

The undersigned is directed to refer to this Department's OM No.DPE-4(8)/2000-Fin. Dated the 13th June, 2001 wherein the decision of the Government that the performance and status of the Navratna and Miniratna enterprises will be reviewed from time to time was communicated to all concerned.

2. It was also mentioned therein that the Apex Committee would lay down a format for such a review. A format for reviewing the performance of Navratna/Miniratna PSUs has since been drawn up and a copy of the same is enclosed (Annexure-I). Annexure-II & III provide necessary procedure and guidelines for grant of Navratna status to the PSUs.

3. All the Administrative Ministries/Departments are requested to advise the Navratna/Miniratna PSUs under their administrative control to complete the format at Annexure I and forward it to DPE through the administrative Ministry/Department latest by 15th April, 2002 so as to enable this Department to fix the performance review meetings.

4. The administrative Ministries/Departments may also indicate the specific cases, if any, of CPSUs under their administrative control, which in their opinion need to be granted enhanced status of Navratna. Such proposal(s) with specific details in the prescribed proforma may kindly be submitted by 31.3.2002 for consideration.

Format for review of performance of Navratna/Miniratna PSUs

- A. 1. Name of Public Sector Undertaking and the administrative Ministry:
- B. 1. Information to be submitted by the PSU.
2. Mission/vision of PSU:
3. Strategy and Business Plan adopted for realization of goals as stated in the vision statement and objectives set
4. MOU rating for last 3 years.
5. When was the Board restructured after grant of Navratna/ Miniratna status?
6. Present composition of the Board after its restructuring.
7. The number of Board meetings held (year wise, for last three years)
8. Give details (for last 3 years) on the extent of Operational Autonomy availed by the PSU.

Operational Autonomy granted	Availed by PE
1. Monitoring of the performance by the Board	
a) Transparent and effective system of internal monitoring as established in the PSU.	
b) Audit Committees set up. Specify terms of reference, field of operation, number of meetings held so far and important findings.	
c) Other measures adopted for effective monitoring within the PSU, if any.	
2. Steps taken for Technology upgradation:	
a) R&D stage	
b) acquiring new technology through JVs or otherwise	
3. Steps taken towards diversification of products/ Product Mix	
9. Give details of delegation of decision making authority :	
Offered	Availed by PE
1. To incur capital expenditure on new projects, modernization, purchase of equipment etc: - Year wise investment on new projects, modernization, contribution of new products in turnover	
2. To enter into technology JVs or strategic alliance	
a) No. of JVs formed	
b) No. of strategic alliances made.	
c) the share of the PSU in the JV/strategic alliances (SAs)	
d) expected gains from JV/SAs	

3. Steps taken towards						
a) organisaional restructuring including establishment of cost & profit centers,						
b) New offices opened in India and abroad,						
c) New activity centers established, if any						
4. Creation and winding up of posts including and upto those of non-Board level Directors, Functional Directors. Posts created and abolished with their level may kindly be specified						
5. To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.						
6. Wage negotiations effected						
7. Debt raised from the domestic capital markets (year wise amount).						
8 Borrowings from international markets, ECBs raised etc. (year wise amount).						
9. Joint Ventures and wholly owned subsidiaries established in India or abroad. The expected gains and objectives.						
10. Financial data/indicators:						
(Rs. in crores)						
Sl. No.	Particulars	1996-97 (base year)	1997-98	1998-99	1999-00	2000-01
1.	Turnover					
2.	Operating expenses					
3.	PBIT					
3 A.	PBDIT					
4.	Net Profit(NP)					
5.	Capital Employed(CE)					
6.	Networth(NW)					
7.	Internal resources generation					
8.	Foreign Exchange Earnings (FEE)					
9	Mobilisation of funds:					
a.	Domestic sources					
b.	International sources					
10.	Ratios:					
a.	PBDIT to CE					
a1	PBIT to Turnover					
b.	NP to NW					
c.	Turnover to CE					
d.	FEE to turnover					
e.	Debt to equity					
f.	Investment in JV to NW					

11(a).Details of new projects and investment decisions taken by the Board after its restructuring.

11(b).Number of major projects under implementation along with their cost/time overrun, if any.

(12) Capacity utilization as a % of total capacity during last three years (year wise). In case of service sector PUSs the indicator may be suitably modified as Occupancy rate in the case of Hotel sector, disbursement/ recovery rate of loans in case of financial sector, availability of lines in case of Power sector etc.

(13) Foreign Exchange Earning (FEE) as a ratio of Turnover during the previous three years (year wise); or

In respect of the PSUs where there is no scope for FEE, an indicator reflecting the 'Social Burden' giving following information during last 3 years (year wise),:—

(i) Project/Services rendered on social rather than economic considerations.

(ii) SC/ST/Other special categories recruitment as a % of total recruitment.

(iii) Total expenditure on development of peripheral/adopted villages and that spent on National calamities/disasters/other social service activities.

C. Response on qualitative factors as perceived by the PSU

1. Do you think that 'Board is professionalised, if no, which areas need to be represented on the Board.

2. Please specify.

(a) To what extent the Government has given financial autonomy

Great
Extent

☐

Significant
Extent

☐

Moderate
Extent

☐

Less
Extent

☐

Least
Extent

☐

(b) To what extent the Government has given operational autonomy

Great
Extent

☐

Significant
Extent

☐

Moderate
Extent

☐

Less
Extent

☐

Least
Extent

☐

3. How the Board is accountable for their decision making. To what extent the accountability is commensurate with the enhanced autonomy.

4. Please list the impediments or constraints, if any, in the efforts to become global competitive.

5. To make the PSU globally competitive, what suggestions would you like to make.

6. Do you think that current level of autonomy and delegation should be continued, if so, please give the justification for retaining Navratna status and the benefits that had accrued with this status?

7. Do you think that further delegation of powers and autonomy is required? If yes, specify the areas and the justifications.

D. The composite Score for the PSU (as per Annexure II)

Note: The terms used here will have the same meaning as used in the Public Enterprises Survey.

FORMAT FOR GRANT OF NAVRATNA STATUS

ELIGIBILITY

The PSUs which are Miniratna I, Shedule 'A' and have obtained 'excellent' or 'very good' MOU rating in three of the last five years are eligible.

'Composite Score' of performance to be 60 or above

In order to review the performance of the PSU, a composite score based on its performance for the last three years would be calculated. For Calculation of composite score, 6 performance indicators have been identified based on their general applicability to the PSUs. The performance indicators have been chosen so as to capture the performance of PSUs irrespective of their belonging to manufacturing sector or services sector. The 6 identified performance indicators are:—

	(Maximum Weight)
	100
1. Net Profit to Networth	25
2. Manpower Cost to total Cost of Production or Cost of Services	15
3. PBDIT to Capital employed	15
4. PBIT to Turnover	15
5. Earning Per Share	10
6. Inter Sectoral Performance	20

In order to assess the performance of the PSU as per the above indicators and provide score on uniform basis, 'Evaluation Scale' for each of these 6 performance indicators have been devised. In respect of these indicators, corresponding to each indicator, categories have been designed so as to provide score in between the maximum score. The provision for grant of negative score have also been made. These categories for each of the performance indicators have been devised after taking into consideration the performance data for the PSUs particularly for the last three years.

For Inter Sectoral performance, it is considered that within sector, performance may be based on the net profit to net worth in % age. The ranking of the PSUs within the sector can be attempted and based on the rank of the PSU, a score can be calculated. Top ranking five PSUs can be given score of 20, 16, 12, 8 and 4 respectively. Zero score would be given to other PSUs having rank below provided where the value of Net Profit to Net worth ratio is positive. However a negative score of '-4' would be given to those PSUs having negative ratio. The 'Evaluation Scale' fixed is given in the enclosed Evaluation Sheet (**Annexure-III**).

To calculate the composite score for a PSU as per the above indicators and the Evaluation Scale, the performance indicator which is the simple average of the corresponding data of the PSU for the last 3 years would be considered and the score would be provided as per the Evaluation Scale. The sum of the scores for each of the performance indicators would constitute the composite score of the PSU.

The cases where the Composite Score is 60 or above, would be placed before the Apex Committee for their consideration and recommendations. A minimum limit of 60 has been kept after taking into consideration the actual 'Composite Score' obtained by the PSUs particularly the Navratna PSUs. The limit of 60 is considered as a realistic level.

EVALUATION SHEET

Score											
Sr. No.	A	25*	20	15	10	5	-5	-10	-15	-20	-25
I	Net Profit toNet Worth (%)	>=20	>=15 and <20	>=10 and <15	>=5 and <10	>=0 and <5	>=-10 and <0	>=-15 and <-5	>=-20 and <-10	>-20 and <-15	>-20
Sl. No.	B	15	12	9	6	3	-3	-6	-9	-12	-15
II	Total Manpower Cost to Total Cost of Production (%)**	<=5	>5 and >=8	>8 and <=11	>11 and <=14	>14 and <=17	>17 and <=20	>20 and <=23	>23 and <=25	>25 and <=28	>28 and
III	PBDIT to Capital Employed (%)	>=20	>=15 and <20	>=10 and <15	>=5 and <10	>=0 and <5	>=-5 and <0	>=-10 and <-5	>=-15 and <-10	>=-20 and <-15	>-20
IV	PBIT to Turnover Turnover	>=25	>=20 and <25	>=10 and <20	>=5 and <10	>=0 and <5	>=-5 and <0	>=-10 and <-5	>=-20 and <-10	>=-25 and <-20	>-25
Sr.	C	10	8	6	4	2	0	-2			
VI	Earning Per Share (Rs.)	>=30	>=20 and <30	>=10 and <20	>=5 and <10	>=0 and <5	>=-5 and <0	>=-10 and <-5			
	D	20	16	12	8	4	0	-4			
VII	Inter Sectoral Performance RankNP to NW based on 1999-00 data	I	II	III	IV	V	VI and onwards but value is +ve	If the value is -ive			
<div>>= Greater than or equal to>Greater than<Less than<=Less than or euqal to</div> <div>* The Limit to be adjusted (and replaced) in the cases where regulatory authority has fixed on upper limit.</div> <div>** Cost of services in case of service organization.</div>											

14. Merger and Acquisition decision by the Central PSUs.

In pursuance of the policy objective to make the public sector more efficient and competitive, Government have announced its decisions to grant autonomy and delegated powers from time to time on various issues for application in the Central PSUs in general and also specific delegated powers to the Navratna and Mini-Ratnas.

2. It is however, clarified that the delegated powers would not include the power to decide about merger and acquisition. The Central Government public enterprises must therefore take prior approval of the Government in regard to merger with and/or acquisition of any other business entities or major business activities and should not take decision at their own. This would be applicable to all the Central PSUs irrespective of their financial status or grant of Navratna/Miniratna status etc. Decisions on merger and/or acquisitions should not be interpreted as though such powers are within the autonomy given to the Navratnas/Miniratnas under the guidelines issued by the Govt.

3. Similarly, it is also clarified that the Navratna and Miniratna enterprises must follow the procedures detailed in the Government guidelines for investment of surplus funds as detailed in DPE OM Nos.DPE/4(6)/94-Fin. dated 14.12.94 and 1.11.95. There is no separate dispensation available to any of the public enterprises in this regard (other than the PSEs in financial sector about which separate guidelines were issued, vide OM No. DPE/4(6)/94-Fin. dated 2.7.96) and these guidelines on investment of surplus funds are applicable to all the Central PSEs including the Navratna and Miniratna CPSEs.

4. Administrative Ministries may please bring the contents of the Govt. decisions to the notice of the Central PSUs under their administrative control.

(DPE OM No. 3(2)/2003-DPE(Fin.)/GL.XVI dated 11th February, 2003)

15. Empowerment of Central Public Sector Enterprises (CPSEs)-enhancement of delegated powers of Navratna PSEs.

The undersigned is directed to refer to this Department OM No. DPE/11(2)/97-Fin. dated 22nd July, 1997 regarding turning selected public sector enterprises into global giants, wherein various powers were delegated to PSEs that have comparative advantages and capacity to become global giants, presently known as Navratnas.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Navratna PSEs and have decided to enhance the powers in the manner stated below:

- (i) The ceiling on equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the PSE in one project limited to Rs. 1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (ii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.
- (iii) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.

- (iv) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.
- 3. The Navratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Navratna status.
- 4. Other powers delegated under the DPE OM referred to in para. 1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.
- 5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of these enterprises.

(DPE O.M. No. 18(24)/2003-GM- GL.64 dated 5th August, 2005)

16. Empowerment of Central Public Sector Enterprises (CPSEs)-enhancement of delegated powers of Miniratna PSEs.

The undersigned is directed to refer to this Department OM No. DPE/11(36)/97-Fin. dated 9th October, 1997 regarding Financial and operational autonomy for profit making public sector enterprises, wherein various powers were delegated to Miniratna PSEs.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Miniratna PSEs and have decided to enhance the powers in the manner stated below:

(i) Capital Expenditure

- (a) For PSEs in category I: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 500 crore or equal to Net worth, whichever is less.
- (b) For PSEs in category II: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 250 crore or equal to 50% of the Net worth, whichever is less.

(ii) Joint ventures and subsidiaries:

- (a) Category I PSEs: The ceiling on equity investment to establish joint ventures and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 500 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (b) Category II PSEs: The ceiling on equity investment to establish joint ventures and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 250 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.

- (iii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.
- (iv) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.
- (v) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The Miniratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Miniratna status.

4. Other powers delegated under the DPE OM referred to in para.1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

(DPE O.M. No. 18(24)/2003-GM-GL. 65 dated 5th August, 2005)

17. Empowerment of Central Public Sector Enterprises (CPSEs)- enhancement of delegated powers of other profit making PSEs.

The undersigned is directed to refer to this Department OM No. DPE/16(22)/90-Fin. dated 6th May, 1997 and 8th October, 1998 regarding delegation of powers to Board of Directors of PSEs to incur capital expenditure.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of other profit making PSEs and have decided to enhance the powers in the manner stated below:

- (i) The power to incur capital expenditure without Government approval stands revised to Rs. 150 crore or equal to 50% of the Net worth, whichever is less.
- (ii) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/ Department.

3. The conditions and guidelines laid down in the OM's referred to in para.1 above shall remain unchanged.

4. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of the enterprises.

(DPE OM No. 18(24)/2003-GM - GL.66 dated, the 5th August, 2005)

18. Review of the performance of Navratna and Miniratna enterprises-grant/ divestment of status thereof.

The undersigned is directed to refer to this Department OM No. DPE/4(8)/2000-Fin. GL-XXXXIX dated 11.6.2001 on the subject mentioned above wherein it was inter-alia decided that a comprehensive review would be undertaken by the Apex Committee with regard to maintenance of Navratna status.

2. In order to periodically review and recommend for expeditious conferment/ divestment of Navratna status on/of CPSEs, it has been decided to constitute a committee consisting of Secretary (DPE), Secretary (Planning Commission), Secretary (Expenditure) and Secretary of the administrative Ministry concerned with Secretary (DPE) as its convenor. This committee will assist the Apex Committee in faster decision-making.

(DPE O.M. No. 18(24)/2003-GM- GL.67 dated 12th August, 2005)

19. Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) - Creation/Disinvestment of subsidiaries by the Navratna and Miniratna Companies

National Common Minimum Programme (NCMP) of the Government pledges to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. In pursuance of this, the Ministry of Heavy Industries and Public Enterprises, in November 2004, constituted an Ad-hoc Group of Experts (AGE) under the Chairmanship of Dr. Arjun Sengupta to consider issues like grant of autonomy, greater delegation of financial powers, etc. to CPSEs. The recommendations of AGE have been considered by the Government in two stages. In the first stage, the recommendations relating to enhancement of powers of Navratna, Miniratna and other profit making CPSEs were considered by the Government and guidelines were issued on 5.8.2005.

2. After careful consideration of the remaining recommendations of AGE, the Government has decided to empower the holding companies to transfer assets, float fresh equity and divest shareholding in subsidiaries subject to the condition that the delegation will be in respect of subsidiaries set up by the holding company under the powers delegated to the Navratna and Miniratna CPSEs and further to the proviso that:

- (a) the public sector character of the concerned CPSE (including subsidiary) would not be changed without prior approval of the Government, and
- (b) such Navratna and Miniratna CPSEs will be required to seek Government approval before exiting from their subsidiaries.

3. All the administrative Ministries and Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

(DPE OM No. 18(16)/2005-GM-GL-82 dated 23rd May, 2007)

20. Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) - Mergers and Acquisitions by the Navratna and Miniratna CPSEs

The undersigned is directed to refer to this Department's Office Memorandum No. 3(2)/2003-DPE(Fin.)/GL.XVI dated 11.2.2003 wherein it had been clarified that the powers delegated to the Navratna and Miniratna CPSEs do not include the power to decide about merger and acquisition and all CPSEs must take prior approval of the Government in regard to merger with and/or acquisition of any other business entities or major business activities. The Government had thereafter reviewed the powers delegated to Navratna and Miniratna CPSEs and decided that the Boards of Navratna and Miniratna CPSEs shall have the powers for mergers and acquisitions subject to certain conditions laid down in DPE O.M. No. 18(24)/2003-GM-GL-64 dated 5.8.2005 and 18(24)/2003-GM-GL-65 dated 5.8.2005 respectively.

2. Issuance of fresh shares under a scheme of amalgamation by such CPSEs may result in further dilution in Government of India share holding and in certain cases, it may result in changing their public sector character. The Government has, therefore, considered this issue and decided that the powers relating to Mergers and Acquisitions delegated to Navratna and Miniratna CPSEs vide Office Memoranda mentioned in Para 1 above should be exercised in such a manner that it should not lead to any change in the public sector character of the concerned CPSEs.

3. All the administrative Ministries/Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

(DPE OM No. 18(16)/2005-GM-GL-83 Dated the 28th May, 2007)

21. Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) - Modification of the composition of Search Committee for selection of non-official part-time Directors on the Boards of Navratna and Miniratna CPSEs - Ordered.

The undersigned is directed to refer to this Department's Office Memoranda No. DPE/11(2)/97-Fin. dated 22.7.1997 and DPE/11/36/97-Fin. dated 9.10.1997 in the subject wherein it had been mentioned that a Search Committee comprising of Chairman, Public Enterprises Selection Board; Secretary, Department of Public Enterprises; Secretary of the concerned Administrative Ministry/Department and eminent person(s) to be nominated by the Industry Minister would select non-official part-time Directors for appointment on the Boards of Navratna and Miniratna CPSEs.

2. The Government has now decided to modify the said O.M. and decided that the Chief Executive of the CPSE concerned will also be a member of the Search Committee for selecting Independent Directors on the Board of Directors of the concerned Navratna and Miniratna CPSE.

3. The above decision of the Government may be brought to the notice of CPSEs concerned.

(DEP OM No. 18(16)/2005-GM-GL-85 Dated the 29th May, 2007)

22. Recommendations of the Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) - Clarification on Budgetary Support to Navratna and Miniratna CPSEs - Issued.

The undersigned is directed to refer to this Department's Office Memoranda No. DPE/11(2)/97-Fin. dated 22.7.1997 and DPE/11/36/97-Fin. dated 9.10.1997 wherein it had been mentioned that Navratna and Miniratna CPSEs shall not depend on budgetary support.

2. The Government has since reviewed the above position and it has now been decided to clarify that the Budgetary support to implement Government sponsored projects of national interest and Government sponsored Research & Development projects will not disqualify CPSEs from retaining their Navratna and Miniratna status. However, for such projects, investment decisions will be taken by the Government and not by the CPSE concerned.

3. All the administrative Ministries/Departments are requested to take note of the above decision and advise the CPSEs under their administrative control suitably in the matter.

(DPE OM No. 18(16)/2005-GM-GL-84 Dated the 28th May, 2007)

23 Introduction of “Maharatna” Scheme for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to state that the Government has decided to introduce “Maharatna” Scheme in order to empower mega CPSEs to expand their operations and emerge as global giants.

2. The salient features of the scheme outlining the eligibility and procedure for grant/divestment of “Maharatna” status, delegation of powers to “Maharatna” CPSEs as well as review of their performance is enclosed.

3. The concerned Administrative Ministries/Departments are requested to take note of the above decision of the Government.

Guidelines on Maharatna Scheme for Central Public Sector Enterprises (CPSEs)

1. Objective

The Objective of the Maharatna Scheme is to delegate enhanced powers to the Boards of identified large sized Navratna CPSEs so as to facilitate expansion of their operations, both in domestic as well as global markets.

2. Eligibility criteria for grant of Maharatna Status

The CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status:-

- a) Having Navratna status
- b) Listed on Indian stock exchange, with minimum prescribed public shareholding under SEBI regulations
- c) An average annual turnover during the last 3 years of more than Rs. 25,000 crore
- d) An average annual net worth during the last 3 years of more than Rs. 15,000 crore
- e) An average annual net profit after tax during the last 3 years of more than Rs. 5,000 crore
- f) Significant global presence or international operations.

3. Procedure for grant of Maharatna status

3.1 The procedure for grant of Maharatna status is similar to that for the grant of Navratna status. Accordingly, the proposal(s) for grant of Maharatna status should be initiated by the concerned Administrative Ministries/ Departments (after approval of their Financial Advisers and Ministers-in-charge) to the Department of Public Enterprises (DPE). DPE would process the proposal(s) for consideration of the

Inter-Ministerial Committee (IMC). The composition of the IMC is as under:

- | | | |
|-------|---|----------|
| (i) | Secretary, Department of Public Enterprises | Chairman |
| (ii) | Secretary, Department of Expenditure | Member |
| (iii) | Secretary, Planning Commission | Member |
| (iv) | Secretary of the concerned Administrative Ministry/Department | Member |

3.2 After consideration by the IMC, the proposal would be processed for consideration of the Apex Committee headed by the Cabinet Secretary. The composition of the Apex Committee is as under.

- | | | |
|-------|---|------------------|
| (i) | Cabinet Secretary | Chairman |
| (ii) | Secretary, Department of Public Enterprises | Member-Secretary |
| (iii) | Secretary, Department of Expenditure | Member |
| (iv) | Secretary, Planning Commission | Member |
| (v) | Secretary of the concerned Administrative Ministry/Department | Member |

3.3 The recommendations of the Apex Committee for grant of Maharatna status would be placed before the Minister (HI&PE) for a decision.

4. Delegation of powers to Maharatna CPSEs

4.1 The boards of Maharatna CPSEs have been delegated the following powers.

- (i) To incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.
- (ii) To enter into technology joint ventures or strategic alliances.
- (iii) To obtain by purchase or other arrangements, technology and know-how.
- (iv) To effect organization restructuring including establishment of profit centers, opening of offices in India/abroad, creating new activity centers, etc.
- (v) To create below board level posts upto E-9 level and to wind up all below board level posts. The Boards of Directors will have powers to make all appointments, effect internal transfers and re-designation of all below board level posts.
- (vi) To structure and implement schemes relating to personnel and human resource mangement and training.
- (vii) To raise debt from the domestic capital markets and from international market, the latter being subject to the approval of RBI/Department of Economic Affairs, as may be required, and should be obtained through the administrative Ministry.
- (viii) To make equity investment to establish financial joint ventures and wholly owned subsidiaries and undertake mergers & acquisitions, in India or abroad, subject to a ceiling of 15% of the net worth of the concerned CPSE, limited to Rs. 5,000 crore in one project. The overall ceiling on such investments in all projects put together will not exceed 30% of the net worth

of the concerned CPSE. While normally the investment would be done directly by the parent CPSE, in cases where it proposes to invest through a subsidiary into another joint venture, and also provide the additional capital for this purpose, the above stipulations would be in the context of the parent company.

- (ix) The Board of Directors shall have the powers for mergers and acquisitions, subject to the conditions that (a) it should be as per the growth plan and in the core area of functioning of the CPSE and (b) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. Further, the powers relating to Mergers and Acquisitions should be exercised in such a manner that it should not lead to any change in the public sector character of the concerned CPSEs.
- (x) CMD is empowered to approve business tours abroad of functional Directors upto 5 days duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry.
- (xi) Holding companies are empowered to transfer assets, float fresh equity and divest shareholding in subsidiaries subject to the condition that the delegation will only be in respect of subsidiaries set up the holding company under the powers delegated to Navratna/Maharatna CPSEs and further to the proviso that:
 - a. the public sector character of the concerned CPSE (including subsidiary) would not be changed without prior approval of the Government, and
 - b. such Maharatna CPSEs will be required to seek Government approval before exiting from their subsidiaries.

4.2 The exercise of Maharatna powers would be subject to the same conditions and guidelines as laid down by the Government in respect of Navratna CPSEs from time to time. These conditions and guidelines as they stand on dated are as under.

- (a) The Boards of these CPSEs should be restructured by inducting requisite number of non-official Directors as per SEBI guidelines, subject to a minimum of four.
- (b) All the proposals, whether they pertain to capital expenditure, investment or other matters involving substantial financial or managerial commitments or where they are likely to have a long term impact on the structure and functioning of the CPSE, should be prepared by or with the assistance of professional and experts and should be appraised, in suitable cases, by financial institutions or reputed professional organizations with expertise in the area. The financial appraisal should also preferably be backed by an involvement of the appraising institution through loans or equity participation.
- (c) The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors, if any, must be clearly brought out.
- (d) All the Government Director(s), the Financial Director and the concerned Functional Director(s) must be present when major decisions are taken especially when they pertain to investments, expenditure or organization/capital restructuring and exercise of Navratna/Maharatna powers.

- (e) The decisions on proposal listed in para above should preferably be unanimous. In the event of any decision on such matters not being unanimous, a majority decision may be taken, but at least two thirds of the Directors should be present. In addition, all the Government Director(s), the Financial Director and the concerned Functional Director (s) should invariably be present when such decisions are taken. The objections, dissents, the reasons for overruling them and those for taking the decision should be recorded in writing and minuted.
- (f) No financial support or contingent liability on the part of the Government should be involved. These CPSEs shall not depend upon budgetary support or Government guarantees. The resources for implementing their programmes should come from their internal resources or through other sources, including capital markets. However, budgetary support to implement Government sponsored projects of national interest and Government sponsored Research & Development projects will not disqualify CPSEs from retaining their Maharatna status and for such projects, investment decisions will be taken by the Government and not by the concerned CPSE. Further, wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry and such Government guarantee shall not affect Maharatna status.
- (g) These CPSEs will establish transparent and effective systems of internal monitoring, including the establishment of an Audit Committee of the Board with membership of non-official Directors.
- (h) The exercise of authority to enter into technology joint ventures and strategic alliances shall be in accordance with Government guidelines as may be issued from time to time.
- (i) These CPSEs shall follow the highest standards of Corporate Governance and corporate Social Responsibility applicable to CPSEs.

5. Review of performance of Maharatna CPSEs

The performance of Maharatna CPSEs would be reviewed annually by the Inter-Ministerial Committee, and thereafter by the Apex Committee headed by the Cabinet Secretary which will recommend continuation/divestment of Maharatna status. The review will focus on the eligibility of Maharatna CPSEs *vis-a-vis* the criteria laid down for grant of Maharatna status in para 2 above, and their performance during the previous year(s).

6. Divestment of Maharatna status

In case, the Apex Committee recommends divestment of Maharatna status of a CPSE, such a recommendation would be placed before the Minister (HI & PE) for a decision.

7. The Department of Public Enterprises may issue suitable clarification and make modifications to the Maharatna scheme in order to ensure smooth implementation of the scheme.

[DPE OM No. 22(1)/2009-GM dated 4th February 2010]

24. Policy for acquisition of the Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs)

The undersigned is directed to state that the matter of ensuring availability of adequate quantities of raw materials, which is crucial not only for the growth of the manufacturing sector in particular but also the economy as a whole, has been considered by the Government and it has been decided to issue a clear policy statement with regard to the acquisition of raw materials assets abroad by CPSEs. In the long term interests of the economy, the Government has approved the implementation of a Policy for acquisition of Raw Material Assets abroad by CPSEs, a copy of which is enclosed for information, guidance and further necessary action.

2. The contents of above Office Memorandum may also be brought to the notice of CPSEs under the administrative control of your Ministry/Department for their information, guidance and further necessary action.

Policy for Acquisition of Raw Material Assets Abroad by Central Public Sector Enterprises (CPSEs) **Need to acquire raw material assets abroad**

1. Government has projected that our economy needs to grow between 9 to 10% over the next 10 years in order to bring down the present level of poverty in the country. In order to achieve the desired growth rate, it is imperative that the manufacturing sector grows at 12 to 14%. This in turn would exert a lot of pressure on the requirements of raw materials. It has been observed that in the recent past, when the economy grew at 9% for a period of three continuous years, there were severe shortages of raw materials. Some of the raw material assets required for manufacturing, such as coking coal, have not been available locally in adequate quantities. Therefore, arrangements for assured supply of key raw materials over the long term need to be put in place if the country is to achieve double digit growth rate over the next decade. Even in respect of those raw material assets which are available only in a limited amount in the country, alternative arrangements for their assured supply need to be worked out well in time. In view of the severe competition from other countries for acquiring such assets, this matter acquires a sense of urgency. the acquisition of raw material abroad will also help in improving the energy security of the country.
2. Thus, in the long term interests of the economy in general and the growth of the manufacturing sector in particular, and also taking into account strategic aspects, the Government of India is committed to promote and take all necessary measures towards acquisition of raw assets abroad.

Present system of overseas investment

3. The financial aspects of allowing outward investments are presently guided by the Ministry of Finance and the Reserve Bank of India (RBI) whereas the actual acquisitions are being handled by the CPSEs/ concerned Ministries. The Reserve Bank of India, under the power vested in it under Section 6 of the Foreign Exchange Management Act, 1999 has issued **guidelines on Direct Investment by Residents in Joint Venture (JV)/Wholly Owned Subsidiary (WOS) Abroad (Annex-I)**. These guidelines basically prescribe the classes of permissible capital account transaction and limits up to which foreign exchange is admissible for such transactions. Under RBI's guidelines, overseas investment can be made under two routes, viz. Automatic and Approval routes. Under the Automatic route, RBI's guidelines permit investment in overseas JVs / WOS upto 400 per cent of the net worth of the Indian company or Special Purpose Vehicle (SPV). RBI's guidelines permit Navratna PSUs, ONGC Videsh Lit. (OVL) and Oil India Limited (OIL) and other Indian Companies to invest under the Automatic route in unincorporated entities overseas in the **oil sector** subject to their being approved by the competent authority. Listed Indian companies are permitted to invest up to 50 per cent of their net worth in shares issued by listed overseas companies. RBI's guidelines permit consideration of proposals for investment in JV / WOS overseas in the **energy and natural resources sector (e.g. oil, gas, coal and mineral ores)** in excess of the 400 per cent of net worth limit (**Annex-I**).

4. DPE has issued guidelines from time to time to grant enhanced autonomy and delegation of powers to different categories of CPSEs, subject to certain stipulated conditions and procedures, with a view to enabling them to enhance their global presence. The introduction of Navratna and Miniratna schemes in 1997 and Maharatna scheme in 2010 are the initiatives taken by DPE in this regard. Some aspects of the powers delegated to Boards of Maharatna, Navratna and Miniratna CPSEs are extremely relevant in the context of powers to be exercised by the concerned CPSEs for acquisition of raw material assets abroad. The relevant guidelines issued by DPE, as applicable to these categories of CPSEs, are enclosed at Annex-II.

5. DPE has also issued another set of guidelines exclusively on the issue of acquisition of raw material assets abroad by Indian Companies for ONGC-Videsh Limited *vide* their O.M dated 17.1.2000 (Annex-II IA). These guidelines were extended by the Ministry of Petroleum & Natural Gas to Indian Oil Corporation, Oil India Limited and other Navratna downstream PSUs (Annex-IIIB). The Ministry of Steel has also set up an Empowered Committee of Secretaries (ECS) mechanism for acquiring coal assets by 'International Coal Ventures Private Limited' (Annex-IIIC), a Special Purpose Vehicle. The Ministry of Coal has thereafter issued instructions to the effect that the efforts of Coal India Limited to acquire coal assets abroad would also be considered under the ECS mechanism set up by Ministry of Steel (Annex-IIID).

Shortcomings of the present system of outward investment

6.1 The principal shortcoming in the present system is the lack of an explicit commitment from the Government of its intention to promote acquisition of raw material assets abroad. As a result, the issue does not always get the expediency and seriousness that it deserves, and proposals for acquisition of raw material assets suffer from delays in decision making.

6.2 Secondly, a coordinated, inter-sectoral approach which is often required to aggressively bid for raw material assets abroad, particularly the sovereign ones, is lacking.

6.3 Thirdly, enormous funds are often required for acquiring raw material assets abroad which are not readily available with even our largest CPSEs.

6.4 A number of mechanisms have been evolved by different agencies for acquiring raw materials abroad and it may be worthwhile to harmonize and supplement them.

6.5 The instant policy addresses these shortcomings by clearly specifying the commitment of the Government to acquisition of raw material assets abroad. It seeks to enhance the powers delegated to Boards of CPSEs in making equity investments through Mergers and Acquisitions, in Joint Ventures / Wholly Owned Subsidiaries and for capital expenditure, retains the existing mechanism of Empowered Committee of Secretaries and puts in place provisions for fast track decision making through an integrated, coordination mechanism at the higher levels which can be relied upon by the CPSEs and the Ministries should the need arise.

Proposed procedure for acquisition of raw material assets abroad

7. **Objective:** The objective of the policy is to put in place a fast track and coordinated decision making process in order to facilitate acquisition of raw materials abroad by CPSEs for the requirement of manufacturing sector in the country.

8. **Scope:** In order to accelerate the pace of acquisition of raw material assets abroad, the following procedure, which includes among others, the aspects covered in prevalent guidelines listed at Annex II & III, is prescribed. It is clarified that the purpose of these guidelines is to reduce the time associated with the acquisition process, underscore the significance the Government attaches to the subject, support CPSEs

for strategic acquisitions, and to provide them a forum through which a coordinated, inter-sectoral, consortium based approach could be adopted. Notwithstanding the following arrangement, the CPSEs will continue to exercise the powers that are currently available to them. This policy would be applicable only to CPSEs in Agriculture, Mining, Manufacturing and Electricity sectors as per Public Enterprises Survey of DPE. The details of the prescribed procedure are as under.

9. **Applicability:** The CPSEs, that is, those Government companies (as defined under Section 617 of the Companies Act, 1956) wherein more than 50% equity is held by the Central Government, subsidiaries of such CPSEs and which have a three year record of making net profits, can benefit from the decision making mechanism prescribed in these guidelines for acquiring raw material abroad.

10. **Definition of Raw Material Assets Abroad:** The term Raw Material Assets

Abroad shall include ownership (equal/minority/majority stake holding), lease, rights for exploration, development and production of an on-shore or offshore asset that is yielding, or has proven reserves or the potential to yield natural resource, including mineral resources, whether held publicly or privately or jointly, in an internationally recognized State/Country/territory outside the borders of India. By implication, raw material assets in territories held by non-State actors (such as armed groups), or in States under the sanction of an International body to which India is a signatory and bound, shall not be covered by this policy.

Preliminary Information and Due-Diligence

11.1 Flexibility to act on any credible information of the availability of

Raw Material Asset Abroad for possible acquisition: The proposals for acquisition of raw materials overseas should be driven by the requirements of the individual companies and linked to the specific needs of the CPSEs. CPSEs may entertain such proposals received directly or through a reputed merchant banker registered in either India or in the country where the target asset is located (having more than 5 years experience in the relevant field) or in response to an expression of interest issued by the concerned CPSE.

11.2 **Expeditious due diligence within the concerned CPSEs:** Each CPSE will take an initial call as to whether it wishes to proceed with the proposal or not. The available opportunities should be evaluated on techno-economic considerations in a transparent manner using either in-house expertise or external consultants/ consultancy firms. In order to form a view, the CPSEs may seek a presentation by the proposer or a visit by its team or take any other appropriate measure to have an initial assessment in order to arrive at a decision as to whether to proceed with the proposal or not.

11.3 If the initial decision is to proceed with the proposal, the CPSEs will undertake due diligence on technical, financial and legal aspects and obtain independent advice of reputed experts /consulting agencies.

11.4 The Boards of all profit making CPSEs will continue to be empowered to decide on appointment of Consultants for such purposes. It may be mentioned that some CPSEs are already exercising such powers. Should a CPSE consider necessary, it may draw up a panel of experts so that they can appoint consultants from the approved panel of consultants at short notice. The “Manual of Policies and Procedure of Employment of Consultants” issued by the Department of Expenditure, Ministry of Finance may be broadly used as guidance in this regard.

Structure & Ownership of Overseas Investing Entity

12.1 Subject to these guidelines, the Boards of Profit making CPSEs would be competent to pursue overseas opportunities either on stand-alone basis, or in collaboration with other CPSEs/domestic private companies

through Joint Ventures (called consortium approach). CPSEs can collaborate with foreign Public or Private sector enterprises also in case such a collaboration is felt essential or in case laws of the country in which target asset is located require association of a local enterprise in the Joint Venture before they are eligible to bid for raw material assets. If the Board of the CPSE decides to associate partner(s), it would select partner(s) on the basis of clear criteria including past performance, work experience, financial and technical capabilities etc. The modalities of selection would be decided by the Boards of respective CPSEs, depending upon the requirements of the situation. In case the CPSEs acquires part equity stake in an asset, the existing shareholder(s) of the target asset, if any, would automatically become partners of the CPSE. The Boards of profit making CPSEs can also pursue overseas opportunities through mergers and acquisitions, establish Wholly Owned Subsidiaries or incorporate new enterprise(s) abroad; CPSEs can also explore overseas opportunities under various arrangements used in the international industry such as production sharing contracts, concessionary arrangements, service contracts etc. The policy and procedures of authorities like RBI, guidelines of the Department of Expenditure, Ministry of Finance for establishing Joint Venture Companies in Infrastructure Sectors (*vide* No. 24(24)/PF-II/2009 dated 21st July, 2009) and other prevailing rules and regulations of Government of India, as laid down from time to time, would be observed as guidance by the CPSEs while undertaking such ventures. The existing requirement of CPSEs keeping the Cabinet Committee on Economic Affairs informed of any investments abroad shall continue to apply.

12.2 If required, the CPSE(s) may form project specific Special Purpose Vehicles (SPVs) to undertake overseas projects for the acquisition of raw materials abroad. These SPVs should be need based and it would be ensured that there is no proliferation of such SPVs. The concerned CPSE should also ensure that business risks associated with projects abroad are restricted to the extent of their equity participation in the SPV and the parent company is insulated against such business risks.

12.3 The proposal after following the above procedure would be put up to the Board of Directors, including Government and non-official Directors. The proposals must be presented to the Board of Directors in writing and reasonably well in advance, with an analysis of relevant factors and quantification of the anticipated results and benefits. Risk factors, if any, must be clearly brought out. The decision on such a proposal should preferably be unanimous. In the event of any decision on such matters not being unanimous, a majority decision may be taken, but at least two thirds of the Directors should be present. In addition, all the Government Director(s), the Director Finance and the concerned Functional Director(s) should invariably be present when such decisions are taken. The objections, dissents, the reasons for over-ruling them and those for taking the decision should be recorded in writing and minuted. The decision of the Board should be based on quantified technoeconomic parameters and should take into account the considerations of sociopolitical risks, technology transfer, strategic entry into a particular area/country etc. In many countries, the mineral resources happen to be located in relatively insecure and inaccessible areas. The issue of security of assets proposed to be acquired may be suitably factored into at the time of decision making.

12.4 The ownership of raw material assets abroad may lie with the concerned CPSEs/Joint Venture/Wholly Owned Subsidiary/Special Purpose Vehicle depending upon the source of equity investment in the project. The Board of the concerned CPSE should, however, through documented deliberations ensure that adequate representation is given to the CPSE in the management and operation of its overseas project. The extent of representation should be commensurate with its equity contribution in the project.

Enhanced Delegated Powers to Boards of CPSEs

13.1 The foreign operations especially acquisition of assets abroad require large funds and also there is a need to provide flexibility to CPSEs in undertaking such overseas ventures. Therefore, existing delegation of powers to Boards of Profit making CPSEs have been enhanced as follows:

TABLE-1 : Financial powers delegated to Boards of Profit Making CPSEs for Equity Investment through Mergers and Acquisitions and in Joint Ventures / Wholly Owned Subsidiaries

Class of	Existing delegated powers		Enhanced delegated powers	
CPSE	for Merger & Acquisition, or equity investment in any one joint Venture/ wholly owned subsidiary	Subject to % of net worth of CPSE, for all projects put together	for Merger & Acquisition, or equity investment in any one joint venture/ wholly owned subsidiary	Subject to % of net worth of CPSE, for all projects put together
Maharatna	Rs. 5000 crore subject to a ceiling of 15% of the net worth	30% of net worth	Rs. 5000 crore subject to a ceiling of 25% of the net worth	40% of net worth
Navratna	Rs. 1000 crore subject to a ceiling of 15% of the net worth	30% of net worth	Rs. 3000 crore subject to a ceiling of 25% of the net worth	40% of net worth

The above revised monetary ceilings shall be the equity investment limits up to which Boards of CPSEs can take investment decisions for bidding, and acquisition of raw material assets overseas without any reference to the Government. The cumulative ceiling as a percentage of net worth on equity investments in such projects shall be computed by adding the investments made by the CPSE concerned under the powers delegated to its Board, and exclude investments in projects beyond the delegated powers with government approval.

13.2 The Boards of Maharatna and Navratna CPSEs shall continue to exercise delegated powers for **capital expenditure** for development of overseas assets, which could be used for purchase of new items or for replacement.

13.3 The revised delegated powers would be applicable only for acquisition of raw material assets abroad.

Above Board-Level Approval Mechanisms:

14.1 The mechanism of **Empowered Committee of Secretaries** chaired by Secretaries of Ministries of Petroleum & Natural Gas (for ONGC Videsh Limited at **Annex-III A**, and for Oil India Limited and Indian Oil Limited at **Annex-III B**), Steel (for International Coal Ventures Limited at **Annex-III C**, and for Coal India Limited at **Annex-III D**) shall continue to function, and consider proposals for acquisition of raw material assets abroad beyond the powers delegated to Boards of concerned CPSEs. Recommendations of Empowered Committee of Secretaries shall be submitted to the Cabinet Committee on Economic Affairs directly for consideration.

14.2 Ministries other than those listed in the preceding para which do not currently have an **Empowered Committee of Secretaries (ECS)** shall stand authorized to notify an appropriate **ECS** mechanism on the lines of ONGC Videsh Limited (Annex-III A). Such **Empowered Committees of Secretaries** shall be chaired by the Secretaries of the concerned administrative Ministries/Departments with Secretaries of Finance, MEA, Law and DPE as members. Each **Empowered Committee of Secretaries** shall be authorized to consider proposals for acquisition of raw material assets overseas which are beyond the powers delegated to the Boards of CPSEs under their administrative control. **ECS** shall facilitate inter-Ministrial consultation, before its recommendations are submitted to the Cabinet Committee on Economic Affairs directly for a decision. Notification constituting new Empowered Committee of Secretaries shall be issued by the administrative Ministries/Departments after these are vetted by Finance Ministry and DPE.

14.3 For proposals which are beyond the powers of the Boards of CPSEs and require a coordinated approach, or budgetary support there will be a **Coordinating Committee of Secretaries (CCOS)** headed by the **Cabinet Secretary** with Secretaries of the Ministry of EXternal Affairs, Planning Commission, Department of Legal Affairs, Ministry of Finance, Department of Public Enterprises and the Ministries/Departments administering the concerned CPSE and any other Secretary considered relevant to decision making as members. This Committee would, if required, facilitate a consortium approach in high value or strategically important acquisitions. The following class of proposals for acquisition of assets abroad would be put up before the Coordinating Committee of Secretaries and would not need be routed through the Empowered Committee of Secretaries.

- (a) Proposals where the administrative Ministry/CPSE requests for a coordinated view even though acquisition is with CPSE's funds and the investment falls within the delegated powers of the board of the CPSEs;
- (b) All acquisition proposals involving Government funds, before these are moved to the CCEA.

14.4 The CCOS shall add value to the the proposals for acquisition of raw material assets abroad before they are considered by the Cabinet committee on Economic Affairs on the following counts:

- a. Avoiding competition among Indian companies
- b. Reconciling interests of the nation *viz-a-viz* those of the CPSE(s) in the event of a conflict
- c. Providing a forum for sharing of available experience
- d. Facilitating quick, coordinated decision making
- e. Exploring the possibility of infrastructure development in the target country
- f. Coordinating grant of concessional credit to foreign enterprise/Government, in return for long term commitment for the supply of natural resources.
- g. Recommending government funding, and its nature (Grant, loan or equity), for the oversease investment proposal.

Funding of Acquisition of Overseas Assets:

15.1 Issues regarding requirement of funds for acquiring raw material assets abroad, including for development of infrastructure alongwith the acquisition, will be resolved by the Coordination Committee of Secretaries on case by case basis.

15.2 The Government would, in due course, consider constituting a dedicated, Sovereign Wealth Fund which can serve as the corpus for financing investments in acquisition of raw material assets abroad.

Servicing of Coordinating Committee of Secretaries:

16.1 The CCOS would be **serviced by the Department of Public Enterprises**, which would undertake only coordination related activities in close cooperation with concerned Ministries.

16.2 For this purpose a **cell would be reated in DPE**, DPE shall be authorized to the following additional personnel, accommodation and funds necessary for making this cell operational.

- a. Two senior consultants, six consultants, and two young professionals recruited as per Planning Commission guidelines with regard to the qualifications, experience and remuneration;
- b. An additional floor space of 2000 Square feet to be hired in the vicinity of CGO complex.

c. An additional, dedicated budgetary outlay of Rs. 1.5 crores per annum to meet the cost of operating this cell as per the following break-up.			
Budget Estimate for Assets Abroad Cell in DPE			
Item	Number	Monthly Charge per person (Rs.)	Annual Outlay (Rs.)
Consultant - Young professionals	2	40000	9,60,000
Consultants	6	70000	50,40,000
Senior Consultants	2	100000	24,00,000
Secretarial/Stenographic assistance	5	20000	12,00,000
Equipments (Lump Sum)			15,00,000
Rent for 2000 Square foot space	@ Rs. 100 per sq. foot/ month		24,00,000
Sub-Total			1,35,00,000
Office expenses	10%		13,50,000
GRANT TOTAL (Rs.)			1,48,50,000
Say Rs. 1.5 crores			
<p>16.3 Once a CPSE/Ministry decides to approach the CCOS, it would submit necessary details of the proposal to the CPE. DPE would circulate the details of the said proposal to the members of CCOS on acquisition of raw material assets abroad for their comments. The concerned CPSE/Ministry would nominate a modal officer with regard to their acquisition proposal, to ensure complete coordination with the cell in DPE/CCOS.</p> <p>16.4 The DPE would as early as possible but not later than two weeks from the receipt of the details of the proposal, convene a meeting of the CCOS on acquisition of raw material assets abroad to take a view, including on whether or not the proposal should be pursued on a standalone basis or whether the proposal should be taken up as an umbrella approach by a consortium of different CPSEs/private sector companies, or negotiated as a package deal. Additionally, the CCOS would decide on the infrastructure that can be developed as a part of the package and other assistance that can be offered including soft loans, educational, scientific, cultural, health and social infrastructure.</p> <p>16.5 CPSEs involved in acquisition of raw material assets abroad, particularly those in the oil and gas, coal and mineral sectors shall also develop long term financing plans, wherein their internal resources and net worth could be appropriately leveraged.</p> <p>Miscellaneous:</p> <p>17. Notwithstanding anything to the contrary in DPE's delegation of powers guidelines, the Ratna (Mini/ Nav/Maha) status of a CPSE shall not be affected solely by virtue of it receiving Government funds for acquiring raw material assets abroad.</p> <p>18. Resolution of disputes arising from acquisition of raw material assets abroad: All raw material assets acquired abroad by CPSEs should incorporate relevant clauses making all disputes subject to the jurisdiction of Indian/mutually agreed dispute resolution mechanism(s), as far as possible.</p>			

19. **Exiting from overseas ventures:** Each holding CPSE will be empowered to transfer shares, float fresh equity and divest shareholding in the overseas subsidiary/Joint Venture/SPV which have been set up by the holding CPSE under powers delegated to its Board, subject to the conditions that public character of the concerned subsidiary/Joint Venture/SPV would not change, and holding CPSE does not exit from its subsidiary/Joint Venture/SPV. If the overseas subsidiary/Joint Venture/SPV has been created with approval of the Government, or with contribution of Government funds, prior approval of the Government would be necessary to transfer shares, float fresh equity and divest shareholding **if and only if it leads to** change in public sector character of the overseas enterprise, or leads to an exit of the CPSE from its subsidiary/Joint Venture/SPV.

20. Raw material assets in most sectors are underground and therefore it is not always possible to correctly predict or forecast the likely availability of raw material from a particular asset. Since the world scenario is changing fast and in order to aggressively acquire asset abroad, companies will have to take time-bound decisions which would involve business risk(s) as such decisions would be based on their assessment at that point of time. There is a likelihood of actual performance of the asset being different from that assessed at the time of taking the initial decision. There is a general tendency to avoid risks for fear of objections from Audit/CVC later. Since commercial risk taking forms part of business, every loss caused to the organization, either in pecuniary or non-pecuniary terms, need not necessarily become the subject matter of vigilance inquiry. Thus, whether a person of common prudence, working within the ambit of the prescribed rules, regulations and instructions, would have taken the decision in the prevailing circumstances in the commercial/operational interests of the organization is one possible criterion for determining the bona fides of the case. A positive response to this question may indicate the existence of bona fides. A negative reply, on the other hand, might indicate their absence (Refer Central Vigilance Commission Office Order No. 23/04/04 dated 13th April, 2004). Decisions on acquisition of raw material assets abroad as outlined in this policy should, before, while following prescribed rules, regulations and instructions elaborately document the prevailing circumstances, commercial interests of the organization and the process of decision making by evaluating alternative scenarios, and using necessary tools like cost-benefit and SWOT analysis, etc. The due-diligence process should be meticulously followed and documented at all stages of the overseas investment not only to avoid causing any loss to the CPSE, but also to establish the bona fides of the decision makers.

21. The Ministry of External Affairs and its Missions abroad will be associated right from the beginning of the process, instead of approaching them at a later stage. MEA would advise suitable guidelines with regard to association of MEA and its mission abroad in this process. MEA would also issue an advisory to the missions abroad to actively participate in the process of acquisition of raw materials by the Indian Companies and also glean through any information on possibilities in this regard and share with the concerned Ministries.

22. **Uranium** is a strategic mineral which is acquired by Department of Atomic Energy with the approval of the Atomic Energy Commission. Hence, it is clarified that the above policy/procedure will not be applicable to the Department of Atomic Energy.

23. The above policy shall **not be applicable** to the acquisition overseas of projects that threaten, or are likely to threaten India's national security, or damage public interest of the society.

24. The Department of Public Enterprises is authorized to issue clarifications to the concerned Administrative Ministries/CPSEs on issues relating to the implementation of this Policy. Any further change/modification in the policy would require approval of the competent authority.

Copy of RBI's Master Circular on Direct Investment by Residents in Joint Ventures (JV)/wholly Owned Subsidiaries (WOS) Abroad

Master Circular No. 05/2010-11 dated July 01, 2010

RBI's regulation on Outward FDI seeks to regulate acquisition and transfer of a foreign security by a person resident in India *i.e.* investment by Indian entities in overseas joint ventures and wholly owned subsidiaries as also investment by a person resident in India in shares and securities issued outside India. Overseas Investment can be made under two routes *viz* (i) Automatic Route and (ii) Approval Route.

2. Under automatic route, an Indian party has been permitted to make investment in overseas Joint Ventures (JB)/Wholly Owned Subsidiaries (WOS), not exceeding 400 per cent of the net worth of the Indian party as on the date of the last audited balance sheet. The ceiling of 400 per cent of net worth will not be applicable where the investment is made out of balances held in Exchange Earners' Foreign Currency account of the Indian party or out of funds raised through ADRs/GDRs. The above ceiling will include contribution to the capital of the overseas JV/WOS, loan granted to the JV/WOS, and 100 per cent of guarantees issued to or on behalf of the JV/WOS. The investments are subject to certain conditions.

3. Investments in unincorporated entities overseas in the oil sector (*i.e.* for exploration and drilling for oil and natural gas, etc.) by Navaratna PSU, ONCG Videsh Ltd. (OVL) and Oil India Ltd. (OIL) may be permitted by AD Category-I banks, without any limit, provided such investments are approved by the competent authority. Other Indian companies are also permitted under the Automatic Route to invest in unincorporated entities overseas in the oil sector up to 400 per cent of its net worth provided the proposal has been approved by the competent authority and is duly supported by certified copy of the Board resolution approving such investment. Investment in excess of 400 per cent of the net worth of an Indian company shall require prior approval of the Reserve Bank.

4. Prior approval of the Reserve Bank would be required in all other cases of direct investment abroad. Reserve Bank would, *inter alia*, take into account the following factors while considering such applications:

- (i) Prima facie viability of the JV/WOS outside India;
- (ii) Contribution to external trade and other benefits which will accrue to India through such investment;
- (iii) Financial position and business track record of the Indian party and the foreign entity; and
- (iv) Expertise and experience of the Indian party in the same or related line of activity of the JV/WOS outside India.

Relevant extracts from DPE O.M. No. 22(1)/2009-GM dated 4.2.2010 regarding Introduction of Maharatna scheme for CPSEs

Delegation of powers to Maharatna CPSEs—The boards of Maharatna CPSEs have been delegated the following powers.

- (i) To incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.
- (ii) To enter into technology joint ventures or strategic alliances.
- (iii) To obtain by purchase of other arrangements, technology and know-how.
- (iv) To effect organizational restructuring including establishment of profit centres, opening of offices in India/abroad, creating new activity centres, etc.
- (v) To create below board level posts upto E-9 level and to wind up all below board level posts. The Boards of Directors will have powers to make all appointments, effect internal transfers and re-designation of all below board level posts.
- (vi) To structure and implement schemes relating to personnel and human resource management and training.
- (vii) To raise debt from the domestic capital markets and from international market, the latter being subject to the approval of RBI/Department of Economic Affairs, as may be required, and should be obtained through the Administrative Ministry.
- (viii) To make equity investment to establish financial joint ventures and wholly owned subsidiaries and undertake mergers & acquisitions, in India or abroad, subject to a ceiling of 15% of the net worth of the concerned CPSE limited to Rs. 5,000 crore in one project. The overall ceiling on such investments in all projects put together will not exceed 30% of the net worth of the CPSE. While normally the investment would be done directly by the parent CPSE, in case where it proposes to invest through a subsidiary into another joint venture, and also provide the additional capital for this purpose, the above stipulations would be in the context of the parent company.
- (ix) The Board of Directors shall have the powers for mergers and acquisitions, subject to the conditions that (a) it should be as per the growth plan and in the core area of functioning of the CPSE and (b) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. Further, the powers relating to Mergers and Acquisitions should be exercised in such a manner that it should not lead to any change in the public sector character of the concerned CPSEs.
- (x) CMD is empowered to approve business tours abroad of functional Directors upto 5 days duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the Administrative Ministry.
- (xi) Holding companies are empowered to transfer assets, float fresh equity and divest shareholding in subsidiaries subject to the condition that the delegation will only be in respect of subsidiaries set up by the holding company under the powers delegated to Maharatna/Navratna CPSEs and further to the proviso that:

- (i) the public sector character of the concerned CPSE (including subsidiary) would not be changed without prior approval of the Government, and
- (ii) such Maharatna CPSEs will be required to seek Government approval before exiting from their subsidiaries.

Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of Navratna PSEs. (DPE O.M. No. 18(24)/2003-GM-GL.64 dated 5th August, 2005)

The undersigned is directed to refer to this Department OM No. DPE/11(2)/97-Fin. dated 22nd July, 1997 regarding turning selected public sector enterprises into global giants, wherein various powers were delegated to PSEs that have comparative advantages and capacity to become global giants, presently known as Navratnas.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Navratna PSEs and have decided to enhance the powers in the manner stated below:

- (i) The ceiling on equity investment to establish financial joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the PSEs in one project limited to Rs. 1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (ii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.
- (iii) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.
- (iv) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/Department.

3. The Navratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Navratna status.

4. Other powers delegated under the DPE OM referred to in para 1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of these enterprises.

Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of Miniratna PSEs. (DPE O.M. No. 18(24)/2003-GM-GL.65 dated 5th August, 2005)

The undersigned is directed to refer to this Department OM No. DPE/11(2)/97-Fin. dated 9th October, 1997 regarding Financial and operational autonomy for profit making public sector enterprises, wherein various powers were delegated to Miniratna PSEs.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of Miniratna PSEs and have decided to enhance the powers in the manner stated below:—

(i) Capital Expenditure

- (a) For PSEs in category I: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 500 crore or equal to Net worth, whichever is less.
- (b) For PSEs in category II: The power to incur capital expenditure on new projects, modernization, purchase of equipment, etc., without Government approval stands revised to Rs. 250 crore or equal to 50% of the Net worth, whichever is less.

(ii) Joint ventures and subsidiaries

- (a) Category I PSEs: The ceiling on equity investment to establish joint venture and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 500 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (b) Category II PSEs: The ceiling on equity investment to establish joint venture and subsidiaries in India shall be 15% of the networth of the PSE in one project limited to Rs. 250 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the PSE.
- (iii) The Board of Directors of these PSEs shall have the powers for mergers and acquisitions, subject to the conditions that (i) it should be as per the growth plan and in the core area of functioning of the PSE, (ii) conditions/limits would be as in the case of establishing joint ventures/subsidiaries, and (iii) the Cabinet Committee on Economic Affairs (CCEA) would be kept informed in case of investments abroad. This is in partial modification of DPE OM No. 3(2)/2003-DPE(Fin.)GL XVI dated 11.2.2003.
- (iv) The Board of Directors of these PSEs shall have the power to further delegate the powers relating to Human Resource Management (appointments, transfer, posting, etc.) of below Board level executives to sub-committees of the Board or to executives of the PSE, as may be decided by the Board of the PSE.
- (v) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/Department.

3. The Miniratna status is presently subject to the condition that these PSEs shall not depend up on budgetary support or Government guarantees. Wherever Government guarantee is required under the standard stipulations of external donor agencies, the same may be obtained from the Ministry of Finance through the administrative Ministry. Such Government guarantee shall not affect the Miniratna status.

4. Other powers delegated under the DPE OM referred to in para 1 above remain unchanged. The conditions and guidelines laid down in the said OM also remain unchanged and should be adhered to strictly.

5. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of these enterprises.

Empowerment of Central Public Sector Enterprises (CPSEs)—enhancement of delegated powers of other profit making PSEs. (DPE O.M. No. 18(24)/2003-GM-GL.66 dated 5th August, 2005)

The undersigned is directed to refer to this Department OM No. DPE/16(22)/97-Fin. dated 6th May, 1997 and 8th October, 1998 regarding delegation of powers to Board of Directors of PSEs to incur capital expenditure.

2. Keeping in view the pledge made in the National Common Minimum Programme (NCMP) that full managerial and commercial autonomy will be devolved to successful profit making companies operating in a competitive environment, the Government have reviewed the powers presently delegated to the Board of Directors of other profit making PSEs and have decided to enhance the powers in the manner stated below:

- (i) The power to incur capital expenditure without (Government approval stands revised to Rs.150 crore or equal to 50% of the Net worth, whichever is less.
- (ii) The Chief Executive of the PSE shall have the power to approve business tours abroad of functional directors up to 5 days' duration (other than study tours, seminars, etc.) in emergency, under intimation to the Secretary of the administrative Ministry. In all other cases including those of Chief Executive, tours abroad would continue to require the prior approval of the Minister of the Administrative Ministry/Department.

3. The conditions and guidelines laid down in the OM's referred to in para 1 above remain unchanged.

4. The administrative Ministries/Departments concerned may bring the contents of this OM to the notice of these enterprises.

ANNEX-III A

Copy of DPE O.M. No. DPE.11(32)/96-Fin. dated 17th January, 2000

Subject: Laying down guidelines and parameters for the Board of Directors of ONGC Videsh Ltd. to enter into technology joint venture and strategy alliances.

In pursuance of Cabinet Direction dated 8.7.97 it was decided the broad guidelines, within the purview of which ONGC Videsh Ltd. would be free to undertake its operations abroad should be laid down. These guidelines are framed to empower ONGC Videsh Ltd. for entering into technology joint ventures or strategic alliances and are:—

- I. ONGC-VL will be looking for opportunities overseas for undertaking projects in Exploration, Development and Production areas. These opportunities would come either from the Government or the national oil companies or private companies or consortia of such companies of the overseas countries. ONGC-VL should evaluate these opportunities on techno-economic considerations in a transparent manner and could use either departmental services for evaluation or appoint consultancy firms for such evaluation/audit.
- II. Such a proposal should be put up to the full Board of Directors including part-time professional non-official Directors. The decision of the ONGC-VL Board should be based on techno-economic parameters for international ventures and should take into account the consideration of socio-political risks, technology transfer, strategic entry into a particular area/country etc.
- III. ONGC-VL should be free to pursue overseas opportunities either on standalone basis or through joint ventures or through wholly owned subsidiaries. Such opportunities would be exploited under various arrangements used in the International oil industry like production sharing contracts, concessionary arrangements, service contracts, etc. The policy and procedures of authorities like RBI and other rules and regulations of Government of India, as laid down from time to time, shall be observed by ONGC-VL.
- IV. It must be ensured that the proposal being agreed to should not result in the opening up of a business opportunity for a MNC to enter into an Indian market through this arrangement.
- V. The ONGC-VL Board shall select partner for overseas ventures on the basis of its past performance, work experience, financial and technical capabilities etc.
- VI. The ONGC-VL shall be empowered to take decisions on exploration, development and production projects involving investment up to Rs. 200* crores.
- VII. An Empowered Committee consisting of Secretaries in the Ministry of Petroleum & Natural Gas, Ministry of External Affairs, Planning Commission, Department of Legal affairs, Ministry of Finance and Department of Public Enterprises should be constituted for considering projects involving financial decisions exceeding Rs. 200* crores. The recommendations of the Empowered Committee would be submitted to CCEA directly for approval.

[*amended as Rs. 300 crores vide Ministry of Petroleum & Natural Gas letter No.O-28011/11/2003-ONGC.II(Vol.II) dated 25th February, 2005]
- VIII. There shall not be any budgetary support from the Government or ONGC to ONGC-VL's overseas ventures.
- IX. An annual investment cap in respect of the projects to be taken up in any year shall be decided by the administrative Ministry in consultation with the Ministry of Finance on a year to year basis for the overseas projects of ONGC-VL.
- X. The Board of ONGC-VL should be competent to reappropriate funds from within the approved list of projects within the annual investment cap.
- XI. The Board of ONGC-VL shall ensure that adequate representation is given to the company in the management and operation of its overseas project. The extent of representation should be commensurate of their contribution.

XII. The progress and performance of the overseas projects of ONGC-VL shall be monitored by a Committee headed by Secretary, Ministry of Petroleum & Natural Gas with representatives of Ministry of External Affairs, Planning Commission, Department of Expenditure and Department of Public Enterprises.

XIII. The Ministry of Petroleum & Natural Gas in consultation with Ministry of External affairs should lay down the list of countries, for which ONGC-VL shall have the powers to undertake exploration, production and development projects. Specific approval would be obtained by ONGC-VL for undertaking any exploration in other countries not specific in the list.

Clause included *vide* Ministry of Petroleum & Natural Gas Letter No. O-28011/112003-ONGC.II(Vol.II) dated 25th February, 2005 as under:—

'The criteria for approval of projects, such as transparent and objective criteria for due diligence with regard to factors such as technical, legal and risk analysis and its impact on overall viability of the project be decided by the Empowered Committee of Secretaries for selection of projects'.

ANNEX-IIIIB

Copy of Ministry of Petroleum & Natural Gas letter No. O-28011/3/2005-ONGC.II dated 29th December, 2005

Subject: Delegation of investment decision-making powers to Oil India Ltd. (OIL), Indian Oil Corporation Ltd. (IOC) and others for acquiring exploration and production assets abroad.

I am directed to refer to the above subject and to convey the approval of the Government for the following:—

- i. Oil India Ltd. (OIL) may form project specific Special Purpose Vehicles (SPVs) with Indian Oil Corporation Ltd. (IOC) and in the event IOC is not interested, with any other Navratna downstream oil PSU, to undertake overseas projects for the acquisition of E & P Projects overseas;
- ii. Proposals for all overseas Exploration & Production (E&P) projects jointly to be undertaken by OIL and the Navratna downstream oil PSUs would be brought for consideration before an Empowered Committee of Secretaries (ECS). The same mechanism, as available to OVL, would be available so as to enable such SPVs, as mentioned above, to undertake overseas projects for the acquisition of E&P assets overseas. For this purpose, the ECS set up to consider proposals for OVL is also authorized to consider similar proposals of this combine and give its recommendations to the CCEA;
- iii. any SPVs floated by the PSUs with OIL for the purpose will be purely need-based and it would be ensured by the ECS that there was no proliferation of such PSVs;
- iv. it would be ensured that business risks associated with projects abroad would be restricted to the extent of participation in the SPV and the parent PSUs would be insulated there from; and
- v. in order to avoid needless competition between PSUs and ensure that these investments fit within the framework of the overall energy security objectives of the country, ECS, in consultation with MoP&NG, would chalk out the strategy to be adopted and coordinate the efforts of the PSUs.

2. A copy each of Department of Public Enterprises, O.M. No. DPE. 11/96-Fin. Dated 17.1.2000 and the Ministry of Petroleum & Natural Gas letter No. O-28011/11/2003-ONGC.II (Vol. II), dated 25.2.2005 relating to delegation of powers to ONGC Videsh Ltd. are enclosed for reference and guidance.

3. This issues with the concurrence of IFD, Ministry of Petroleum & Natural Gas.

Annex-IIIIC

Copy of Ministry of Steel Order No. 1(2)/99-VSP dated 8th February, 2008

The Indian steel industry is in rapid expansion mode with consumption and production levels now growing at around 13% and 7% annually. In addition to fresh investments, both private steel companies as well as public sector undertakings like Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (Visakhapatnam Steel Plant) are also undertaking ambitious modernization and expansion projects. The goal of India attaining 110 million tones per annum of steel production by the year 2019-20 which was set in the National Steel Policy, 2005, is likely to be considerably surpassed and the 11th Plan Working Group has estimated a production level of 124 million tones of steel per annum by the year 2012.

2. In the context of this ambitious growth scenario, it is a vital national imperative to ensure the assured supply of strategic raw materials for the production of steel. One of the key requirements for steel-making is an assured supply of metallurgical coal of which a substantial part has to be imported, given the limitations of Indian metallurgical coal both in terms of quantity as well as quality. Likewise, ensuring future access to thermal coal resources would also be a strategic necessity for the country, given its increasing demand for fossil fuel in sectors like steel, power generation, etc.

3. Given these strategic imperatives, the Government have approved the proposal for the formation of a Special Purpose Vehicle (SPV), named 'Coal Ventures International' for securing metallurgical coal and thermal coal assets overseas by the PSUs with the following objectives:

- (i) To ensure supply of imported met coal, of at least 10% of the 2019-20 requirements of SAIL and RINL *i.e.* say five million tones per annum from assets overseas as medium term target to be achieved by 2011-12; being a step towards security of supply.
- (ii) To be an owner of about 500 million tones of met coal reserves by 2019-20 and
- (iii) To meet the requirements and to serve the organizational aspirations of other participating companies like CIL, NTPC and NMDC by providing a facility of enhancing and leveraging their domain knowledge and human capital for international mining business development and also for procuring high quality thermal coal for companies like NTPC.

4. This SPV 'Coal Ventures International' has been empowered to exercise the powers of a Navratna company without being formally accorded Navratna status. For acquiring access to assured supplies of coal overseas Coal Ventures International would pursue various strategies like the prospecting route, other innovative methods as well as market operations.

5. Approval has been accorded for setting up of SPV as a company under the Companies Act with an initial authorized capital upto Rs. 10,000 crores and an initial equity of up to Rs. 3,500 crores to be contributed by the members progressively based on investment opportunities, comprising the following equity participants from the public sector - SAIL (Rs. 1000 crores), RINL (Rs. 500 crores), CIL (Rs. 1000 crores), NTPC (Rs. 500 crores) and NMDC (Rs. 500 crores) with eventual provision for inducting private sector partners also, as and when warranted. This SPV would be empowered with the autonomy and freedom currently accorded to Navratna companies, without formal Navratna status.

6. In the case of investment proposals of 'Coal Ventures International' exceeding Rs. 1500 crores in each instance, Government have approved the formation of a Committee of Secretaries to approve overseas investment proposals for acquiring metallurgical and thermal coal assets; with the proviso that the recommendations of this Committee in each case will be brought before the Cabinet directly for approval.

7. The composition of this empowered Committee of Secretaries is as follows:—

i.	Secretary (Steel)	—	Chairman
ii.	Secretary (Finance)	—	Member
iii.	Secretary (MEA)	—	Member
iv.	Secretary (Power)	—	Member
v.	Secretary (Coal)	—	Member
vi.	Secretary (Mines)	—	Member
vii.	Secretary (Law)	—	Member
viii.	Secretary (DPE)	—	Member

8. The Ministry of Steel (VSP Desk) will provide secretarial assistance to this empowered Committee of Secretaries.

This issues with the approval of the competent authority.

ANNEX-IIID

Copy of Ministry of Coal letter No. 13011/7/2007-CA-II dated 9.9.2009

Subject: Formation of an empowered Committee of Secretaries with mandate to consider and recommend proposals of Coal India Limited to invest abroad.

I am direct to refer to CIL's letter No. CIL., CV. 07-08: MoC: 454 dated 31.07.2007 and letter No. CIL., CIL CV. 07.08.MoC: 10:155 dated 04.06.2007 on the above subject and to convey the approval of the Government on the proposal of formation of an Empowered Committee of Secretaries with mandate to consider and recommend of proposals of Coal India Limited to invest abroad in the manner as prescribed in the following paras.

- (i) The Empowered Committee of Secretaries constituted earlier for considering proposals to be taken up by the SPV set up jointly by SAIL /RINL/NTPC/NMDC/CIL for acquiring coal properties abroads, will also consider proposals for CIL investments in coal assets abroad, which are beyond the powers of the CIL Board. The recommendations of the Empowered Committee will be placed before the CCEA for approval. A representative of the Planning Commission would be included in the aforesaid Committee.
- (ii) The present Empowered Committee of Secretaries consists of Secretaries from Ministry of Steel, Ministry of Power, Ministry of Coal, Ministry of Finance, Ministry of External Affairs and Ministry of Law & Justice.

2. The CIL Board may consider such proposals, for investments abroad subject to the following guidelines:

- I. CIL will be looking for opportunities overseas for undertaking projects in Exploration, Development and Production areas. These opportunities would come either from the Government or the national coal companies or private companies or consortia of such companies of the overseas countries. CIL should evaluate these opportunities on techno-economic considerations in a transparent manner and could use either departmental services for evaluation or appoint consultancy firms for such evaluation/audit.

- II. Such a proposal should be put up to the full Board of Directors including part-time professional non-official Directors. The decision of the CIL Board should be based on techno-economic parameters for international ventures and should take into account the consideration of socio-political risks, technology transfer, strategic entry into a particular area/country etc.
- III. CIL should be free to pursue overseas opportunities either on standalone basis or through joint ventures or through wholly owned subsidiaries. Such opportunities would be exploited under various arrangements used in the International oil industry like production sharing contracts, concessionary arrangements, service contracts, etc. The policy and procedures of authorities like RBI and other rules and regulations of Government of India, as laid down from time to time, shall be observed by CIL.
- IV. The CIL Board shall select partner for overseas ventures on the basis of evaluation of criteria such as its past performance, work experience, financial and technical capabilities.
- V. The CIL Board shall be empowered to take decisions on exploration, development and production projects involving investment up to the limits as may be permitted from time to time for investments in projects outside the country.
- VI. The Empowered Committee of Secretaries constituted earlier for considering proposals to be taken up by the SPV set up jointly by SAIL/RINL/NTPC/NMDC/CIL for acquiring coal properties abroad, will also consider proposals for CIL investments in coal assets abroad, which are beyond the powers of the CIL Board. Such proposals for investment abroad will be submitted to the Empowered Committee for its recommendations and for placing before the CCEA for approval.
- VII. There shall not be any budgetary support from the Government to CIL's overseas ventures.
- VIII. Any annual investment cap in respect of the projects to be taken up in any year shall be decided by the administrative Ministry in consultation with the Ministry of Finance on a year to year basis for the overseas projects of CIL.
- IX. The Board of CIL should be competent to re-appropriate funds from within the approved list of projects within the annual investment cap.
- X. The Board of CIL shall ensure that adequate representation is given to the company in the management and operation of its overseas project. The extent of representation should be commensurate to their contribution.
- XI. The progress and performance of the overseas projects of CIL shall be monitored by a Committee headed by Secretary, Ministry of Coal with representatives of Ministry of External Affairs, Planning Commission, Department of expenditure and Department of Public Enterprises.
- XII. The Ministry of Coal in consultation with Ministry of External Affairs should lay down the list of countries, for which CIL shall have the powers to undertake exploration, production and development projects. Specific approval would be obtained by CIL for undertaking any exploration in other countries not specific in the list.
- XIII. The Action Taken Report in the matter, if any, may be communicated to this Ministry at the earliest.

DPE OM No. 16(4)/2010-GM Dated 24th October, 2011

25. Constitution of a Coordinating Committee of Secretaries for Policy for acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs).

The Government has approved the Policy for acquisition of Raw Material Assets abroad by CPSEs in order to ensure availability of adequate quantities of raw material which is crucial for the growth of manufacturing sector and also for the economy as a whole. This policy would be applicable to CPSEs in Agriculture, Mining, Manufacturing and Electricity Sectors. In order to implement this policy, an integrated mechanism is being put in place which can be relied upon by the concerned CPSEs and the Ministries.

2. Accordingly, it has been decided to set up a Coordinating Committee of Secretaries with the following composition:-

- | | |
|--|------------|
| i. Cabinet Secretary | - Chairman |
| ii. Member-Secretary, Planning Commission | - Member |
| iii. Finance Secretary | - Member |
| iv. Secretary, Ministry of External Affairs | - Member |
| v. Secretary, Department of Legal Affairs | - Member |
| vi. Secretary, Department of Public Enterprises | - Member |
| vii. Secretary of the administrative Ministry/Department | - Member |
- of the concerned CPSE whose proposal is being considered

The above Committee would co-opt any other Secretary(s), considered relevant to decision making as member(s).

3. The mechanism of Empowered Committee of Secretaries set up by M/o

Petroleum & Natural Gas and by M/o Steel shall continue to function and consider proposals for acquisition of raw materials abroad beyond the powers delegated to the Boards of concerned CPSEs. Other Ministries are also similarly authorized to notify the ESC mechanism after vetting by Finance Ministry and D/o Public Enterprises.

Proposals, which are beyond the powers of the Board of CPSEs and require a coordinated approach or budgetary support, would be considered by Coordinating Committee of Secretaries (CCoS). This Committee would, if required, facilitate a consortium approach in high value or strategically important acquisitions.

The following class of proposals for acquisition of raw material assets abroad by CPSEs would be put up before the Coordinating Committee of Secretaries and would not be required to be routed through the Empowered Committee of Secretaries:

- (i) Proposals where the administrative Ministry/CPSE requests for a coordinated view even though acquisition is with CPSE's funds and the investment falls within the delegated powers of the Boards of the CPSE giving reasons also for its request.
- (ii) All proposals for acquisition of raw material overseas by CPSEs involving Government funds, before such proposals are placed before the CCEA.

4. The above Committee shall add value to the proposals of acquisition of raw material assets abroad by CPSEs before they are considered by the Cabinet Committee on Economic Affairs by considering the following issues:

- (i) Avoiding competition among Indian companies
- (ii) Reconciling interests of the nation viz-a-viz those of the CPSE(s) in the event of a conflict

- (iii) Providing a forum for sharing of available experience
- (iv) Facilitating quick, coordinated decision making
- (v) Exploring the possibility of infrastructure development in the target country
- (vi) Coordinating grant of concessional credit to foreign enterprise/ Government, in return for long term commitment for the supply of natural resources.
- (vii) Recommending government funding, and its nature (grant, loan or equity), for the overseas investment proposal.

5. The above Committee will be serviced by a Special Cell, to be set up in the

Department of Public Enterprises (DPE) which would undertake only coordination related activities in close cooperation with concerned Ministries.

6. Once a CPSE/ Ministry decides to approach the above Committee, it would submit necessary details of the proposal to the DPE. DPE would circulate the details of the said proposal to the members of the above Committee on acquisition of raw material assets abroad for their comments. The concerned CPSE/ Ministry would nominate a nodal officer with regard to their acquisition proposal, to ensure complete coordination with the cell in DPE/Committee.

7. The DPE would as early as possible but not later than two weeks from the receipt of the details of the proposal, convene a meeting of the above Committee on acquisition of raw material assets abroad to take a view, including on whether or not the proposal should be pursued on a standalone basis or whether the proposal should be taken up as an umbrella approach by a consortium of different CPSEs/ private sector companies, or negotiated as a package deal. The above Committee would also decide on the infrastructure that can be developed as a part of the package and other assistance that can be offered including soft loans, educational, scientific, cultural, health and social infrastructure.

DPE OM No. 16(4)/2010-GM Dated 29th December, 2011

26. Policy for Acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer to this Department's O.M. of even number dated 24th October, 2011 enclosing a copy of the Policy for Acquisition of Raw Material Assets abroad by Central Public Sector Enterprises (CPSEs).

2. Para 21 of the above policy mentions that the Ministry of External Affairs (MEA) would advice suitable guidelines with regard to association of MEA and its missions abroad in this process. MEA would also issue an advisory tons abroad to actively participate in the process of acquisition of raw material by the Indian Companies and also glean through any information on possibilities in this ragard and share with the concerned Ministries.

3. In terms of above provisions, the MEA has issue on advisory to its Diplomatic Missions abroad vide us letter no. 3557/Secy(ER)/2011 dated 30th December, 2011 (Copy enclosed).

4. In another letter no. 3557/Secy(ER)2911 datd 30th December, 2011 adressed to Secretary (DPE), the MEA has formulated the following guidlines for CPSEs covered under this Policy.

- I. CPSEs may bring to the attention of MEA/Mission at the very initial stage i.e. at the stage of preliminary information and due diligence (as outlined in the policy document).
- II. At an early stage of the due diligence process, CPSEs may wish to undertake a consultation procedure with MEA/Mission to develop possible value addition to the original proposal. Such value additions may include infrastructure or development in the target country, leveraging existing lines of credit extended to target country, harmonizing other diplomatic/commercial initiatives with that country etc.
- III. Inform MEA at all stage with respect to Government-to-Government interaction required to expedite the acquisition.
- IV. Energy Security (ES) Division will be the nodal Division in MEA for this purpose. The nodal Division may be invited to participate in meetings or consultations that deal with decision making or policy or negotiations with foreign governments in specific cases. Contact details of the Division are as below:

Mr. Prabhat Kumar

Joint Secretary

Ministry of External Affairs,

Room # 3055, Jawaharlal Nehru Bhawan,

23-D, Janpath, New Delhi-110011.

Phone: 490-5185, Fax: 4901-5186

email: jses@mea.gov.in

5. All the administrative Ministries/Departments are requested to take note of the above guidelines and advisory issued by MEA and bring it to the notice of CPSEs under their respective administrative control for their further necessary action under intimation to DPE.

New Policy of Government of India for acquisition of raw material assets abroad.

Dear HOM,

Ministry of Heavy Industries and public Enterprises, Department of Public Enterprises (DPE) has circulated a new policy on acquisition of raw material assets abroad by Indian Central Public Sector Enterprises (CPSEs). A copy of DPE's Om no 16(4)/2010-GM dated 24th October 2011 is attached for ready reference. Our Ministry was consulted during the drafting stage and inputs provided by MEA have been incorporated in the policy; I draw your attention to para 21 of the OM, in particular.

2. In Summary, it may be noted that under the new policy, CPSEs proposing to acquire raw material assets abroad have been given the flexibility to act on any credible information, undertake the necessary due diligence in an expeditious manner and present the proposal to the Board of the concerned CPSE. While formulating proposal to the Board of the concerned CPSE. While formulating proposals, CPSEs have been given the freedom to explore the feasibility/desirability of setting up JVs or Special Purpose Vehicles should it be required legally or financially. CPSE Boards have been given enhanced delegated financial powers. For proposals beyond the powers of the Board, the concerned administrative Ministries will notify an Empowered Committee of Secretaries (ECS) mechanism. For proposals beyond powers of the Board or requiring a coordinated approach, or GOI budgetary support, there will be a Coordinating Committee of Secretaries (CCOS) mechanism. The CCOS would be serviced by the DPE, whose role would be to ensure

that the CCOS is convened within two weeks of receipt of proposal. A special cell would be created in the DPE for this purpose.

3. In the process of acquisitions being pursued by CPSEs, inputs for our Missions abroad will be critical, and Missions may be called upon to provide timely and accurate information to supplement the information already sourced from elsewhere. Inputs will also be required by the Ministry, which will be represented on the ECS or CCOS, and would be called upon to add value to the proposals. Accordingly, inputs from Missions on competing Indian companies abroad, the possibility of infrastructure development in the target country, coordinating grants of concessional credit, etc. will be relevant.

4. Paragraph 21 of the policy clearly states that CPSEs would, right from the beginning of the process keep the Ministry and the concerned Mission associated in the decision making process. We are issuing guidelines for the CPSEs in this regard (copy enclosed).

5. Missions would be entrusted with the following responsibilities with respect to the new policy:

- I. Missions should actively participate in the process of acquisition of raw materials by CPSEs;
- II. Missions should collect information on likely raw materials in which investment by CPSEs is possible and share such intelligence with concerned Ministries;
- III. Missions should look at possibilities of infrastructure development, grant of concessional credit or extending a line of credit or grant or any such initiatives which could facilitate and add value to successful acquisition, and make their considered recommendations in this regard.
- IV. Energy Security division will be the nodal division with respect to raw materials acquisition initiatives, and Missions should keep it in the picture with respect to the process and progress made in the relevant CPSEs' efforts.
- V. Missions should provide relevant inputs for meeting of ECS and CCOS on acquisition of raw material abroad, whenever called upon to do so.

6. These are important issues, and Missions' active involvement would go a long way in making a success of the initiative.

DPE OM No. 16(4)/2010-GM Dated

CHAPTER V

WAGE POLICIES & RELATED MATTERS

(a) Wage Policy/Pay Revision/HPPC Recommendations

1. New enterprises should be on Industrial DA pattern

As you are aware Government policy is that all Public sector Enterprises of the Central Government should have a pay structure related to the industrial D.A. pattern. Although some Public Sector Enterprises had been permitted earlier to operate on the Central scales of pay and the industrial D.A. pattern, Government had suggested to the management of these enterprises to switch over to the industrial D.A. pattern. Instructions had also been issued by the Bureau vide its O.M. No. 2(2)/80-BPE(WC) dated 21.7.1981 wherein it had been indicated that no newly formed Public Sector Enterprise should be allowed to operate on the Central D.A. pattern, instead the Industrial D.A. pattern alongwith related scales of pay should be adopted *ab initio*. It is, however, regretted that during the last 2-3 years a number of Public Sector Enterprises did not follow the policy instructions laid down by the Government in this regard and have opted for Central Government scales of pay and D.A. pattern. This is not in order. It is, therefore, requested that appropriate necessary steps be taken to ensure that no new enterprise is permitted to adopt Central scales of pay and D.A. pattern.

(BPE D.O. No. 2(145)/72-BPE(WC) dated 31st July, 1984)

2. High Power Pay Committee—Implementation of its recommendations

In pursuance to directives given by the Hon'ble Supreme Court on 14th March, 1986 in connection with several writ petitions filed by the employees of certain public sector enterprises, Government had appointed a High Power Pay Committee on 7th April, 1986. The Committee under the Chairmanship of Hon'ble Mr. Justice R.B. Misra gave its final report to the Government on 24th November, 1988. The Government after considering all aspects of the Report, filed an affidavit before the Supreme Court on 17th April, 1990 seeking the directions from the Supreme Court in regard to the manner of implementation of the Report. The Hon'ble Supreme Court delivered their judgement on 3rd May, 1990 giving directions for implementation of the Report. A copy of the judgement is enclosed at Annexure-I.

2. The public enterprises which have been following the 3rd/4th CPC DA pattern may be advised to take action as brought out in the following paragraphs. References to paras of the Report have been given wherever applicable which may be consulted for clarifications/elucidations. In case any doubts regarding applicability still persist, the matter may be referred to the Department of Public Enterprises for clarifications.

3. Applicability of the recommendations

- (i) **Employees appointed on or after 1.1.1986:** All employees following 3rd CPC DA pattern appointed on or after 1.1.1986 but before 31.12.88 would be deemed to have been appointed in the revised scales.
- (ii) **Employees on CDA promoted after 1.1.1986:** Employees who have been promoted after 1.1.86 but were in receipt of central DA on pre-revised pay in posts held by them before their promotion, their pay would be first fixed in the manner indicated in Annexure VI in the lower posts.

- (iii) **Employees appointed on or after 1.1.1989:** All appointments made on or after 1.1.1989 in respect of all categories of employees by these PSEs would be deemed to have been governed by the IDA pay scales and IDA. Appropriate pay scales on the IDA pattern for employees appointed on or after 1.1.1989 may be formulated by the PSEs concerned, in consultation with the administrative Ministry and referred to DPE for approval. (Supreme Court judgement dated 3.5.90 Annexure – I)
- (iv) **Employees initially appointed on industrial DA:** All employees who were earlier appointed on industrial DA pattern will continue to be governed in accordance with the terms and conditions of their appointment. (SC judgement at 3.5.90 Annexure – I)
- (v) **Employees on IDA promoted to executive cadres after 1.1.1989 :** Unionised employees and unionised/non-unionised supervisors who have been and are on IDA pattern and related scales of pay on their promotion to the executive posts on or after 1.1.1989 would be entitled to IDA only and their pay will be fixed in scales related to the IDA scheme.
- (vi) **Employees who changed over from CDA to IDA since July, 1984:** The unionised and non-unionised employees of enterprises working in PSEs like Food Corporation of India, Hindustan Paper Corporation Ltd., National Hydro-Electric Power Corporation Ltd., Housing and Urban Development Corporation Ltd., Hindustan Cables Ltd., Hindustan Photofilms Ltd. etc. who voluntarily agreed to change over before or after 1.1.1986 but before the Supreme Court Judgement of 3.5.1990 to the Industrial D.A. scheme and related scales of pay on retrospective basis w.e.f.1.8.1983 or thereafter would not be entitled to the benefits of the recommendations made by the High Power Pay Committee. In such cases, they would get their wage/pay revision as per the norms laid down by the Government for such categories of employees from the date of expiry of their wage/pay settlement.
- (vii) **Employees who did not opt for IDA Scheme :** Employees who did not opt for IDA and related scales of pay would get the benefit of revised pay under these orders.
- (viii) **Employees who have ceased to be in service of PSEs after 1.1.1986 :** All employees, who were on the rolls of these PSEs as on 1.1.1986, but subsequently ceased to be in service on account of superannuation, resignation, voluntary retirement, termination of employment, death, etc., would be eligible for the benefits of these orders up to the period they were in employment.

4. PAYMENT OF INTERIM RELIEF:

- (a) First Interim relief – quantum *(Effective Date)*

The payment of IR would be regulated in the manner indicated in the
 Deptt. of expenditure's O.M.No.7(39)/E.III dated 2.8.1983. (Annexure – II) 1.6.1983
- (b) Second interim relief - quantum

The payment of second IR would be regulated in the manner indicated in
 Deptt. of Expenditure's O.M. No.7(32)E.III/85 dated 29.4.1985.
 (Annexure – III) 1.3.1985

(Para 16.3 Page 185).

Wherever IRs have been paid by the public enterprises to their employees suo moto or under directions of Supreme Court/various High Courts, the amount so paid would be adjusted against the present authorisation. The unionised staff of DTC in whose case revised pay structure has been adopted w.e.f. 1.6.1983 in lieu of the first I.R. would not be eligible for payment of this I.R.

(para 8.107 page 131)

5. PAY SCALES

- (a) **Revised Pay Scales w.e.f. 1.1.1986 :** The revised scales of pay as set out in the statement enclosed will be adopted by the PSEs concerned in respect of posts specified by the HPPC in toto w.e.f. 1.1.1986 (Annexure-IV). Rates of increments for the revised scales would be as per details given in Annexure-V

(Para 16.1 Page 184)

- (b) **Modifications in Existing Pay Scales of PSEs having Fourth Pay Commission Scales:**

- (i) MTNL, VSNL and NAA which have been established after 1.1.1986 would adopt the scales as recommended by the Committee. The modifications suggested by the Committee would be made effective from 1.4.1986 in the case of MTNL & VSNL and from 1.6.1986 in the case of NAA (Annexure – IV).

(Para 8.13 Page 64)

- (ii) National Instruments Limited which under ad-interim directions of the Calcutta High Court had adopted 4th Pay Commission's scales of pay and DA pattern should modify its pay structure in accordance with Committee's recommendations, details of which are given in Annexure- IV.

(Para 8.34 page 82)

- (c) **Personal Pay Scales, Grant of :** Wherever adoption of the revised scales as recommended by the Committee causes hardship to the employees who were following the 3rd CPC, they would be allowed personal scales of pay indicated in Annexure – IV.If on promotion, the prescribed scales of even the higher posts happen to be less than those of the personal scales, the persons promoted may be allowed to continue to draw pay in their personal scales.

(Paras 9.1 - 9.8 page 140)

- (d) **Pay Scales for Below Board level posts-Creation of :** No posts would be created by these PSEs in scales of pay equivalent to those notified by Government for posts at Board level.

(Para 8.25 page 77)

- (e) **Modification in the scales of pay recommended by HPPC :** No PSE is authorised to modify the scales recommended by the HPPC. The designations of the posts should correctly reflect the duties and responsibilities.

(Para 8.14 Page 64)

- (f) **Pay Scales for Medical Officers :** Designation-wise the existing scales and the revised scales for Medical Officers in public sector enterprises on CDA pattern have been indicated in a separate statement at the end of Annexure-IV.

- (g) **Non-Practicing Allowance :** The non-Practicing Allowance for Medical Officers would be regulated in the following manner:-

(Para 8.102 page 129)

- (h) **Post Graduate Allowance:** Post Graduate Allowance can be increased by these public enterprises to their Medical Officers to Rs. 100/- in the case of those possessing a recognised Post-Graduate Diploma and to Rs.200/- in the case of those possessing a recognised Post Graduate Degree for Medical Officers in the scale of pay of Rs. 2200-4000 and Sr. Medical Officers in the scale of Rs. 3000-4500. Medical Officers entitled for Post Graduate Allowance of Rs. 100/- p.m. for possession of recognised Post Graduate Diploma could also be granted an additional amount of Rs. 100/- in case they have acquired a recognised Post Graduate Degree subsequently. The Post Graduate Allowance would not be admissible to Medical Officers on promotion from the scale of Rs. 3000-4500 to the scale of Rs. 3700-5000. In such cases, their pay has to be fixed as prescribed in the Ministry of Health and Family Welfare O.M.No.A/ 45012/1/87-CHS.V. dated 24th August, 1987. All other terms and conditions laid down in the MH & FW's O.M. dated 16.10.1975 would also apply.

(Para 8.103 page 130)

- (i) **Stagnation Increments :** One stagnation increment on completion of every two years subject to a maximum of three such increments can be granted to such employees who reach the maximum of the scale of pay. The stagnation increment would be equal to the rate of increment last drawn and this would be treated as personal pay. This scheme of stagnation increment would be applicable to all posts upto the scale of Rs. 5900 – 6700. Pay plus stagnation increment should not in any case exceed Rs. 7300/-.

(Para 8.15 Page 65)

- (j) **Selection grade :** Selection grades granted by PSEs to the non-unionised employees would stand abolished w.e.f. 1.1.86

(Para 8.15 page 65)

- (k) **Flying Pay :** Pilots & Co-pilots appointed as direct recruits by NAA would be paid flying pay @ Rs. 750/- p.m. against Rs. 375/-p.m. w.e.f. 1.1.1986 subject to compliance of other formalities like obtaining flying pay certificate at the end of each month.

(Para 8.104 page 130)

6. FIXATION OF PAY IN REVISED/PERSONAL PAY SCALES : The pay of employees will be fixed in revised pay as indicated in Annexure VI. For Unionised employees of Delhi Transport Corporation, who had a limited pay revision effective from 1.6.1983, fixation of pay will be regulated in the manner indicated in Annexure VII.

(Para 10.2 Page 141-142)

7. DATE OF INCREMENT : Dates for grant of increments in the revised scales of pay would be regulated in the manner indicated in Annexure VIII

(Para 10.3 Page 142)

8. DEARNESS ALLOWANCES: The DA payable to the employees to whom the revised scales of pay as recommended by the HPPC are applicable would be paid in accordance with the DA scheme spelt out in Annexure -IX.

(Para 6.18 Page 50)

The actual percentage of the Dearness Allowance, which has become payable w.e.f. 1.7.1986 and onwards under the revised Dearness Allowance formula has been indicated in Annexure-X.

9. PERQUISITES: The Committee noted that although the CDA PSEs did not have the system of bilateral negotiations as pay revision had taken place as a consequence of Government pay revision, nonetheless negotiations did take place in regard to perquisites. In all PSEs except 32, there is a mixture of IDA and CDA employees and bilateral negotiations had been taking place in these PSEs i.e. IDA employees. Perks being common to all employees, they were, therefore, the subject matter of negotiations. An analysis of the perks enjoyed by the employees of these PSEs by the HPPC showed that they fall broadly into three categories:-

- (i) Perks, which are available in almost all the PSEs. Under this category would fall
 - a. Compensatory (City) Allowance.
 - b. House Rent Allowance.
 - c. Medical facilities.
 - d. Leave Travel Concession.
- (ii) Perquisites which are related to specific working conditions or the hardships of specific areas such as a Project Allowance, a Mining Allowance or a Bad Climate Allowance.
- (iii) Others

(Para III.6 Page 150)

The HPPC have given various specific recommendations regarding perquisites in these PSEs. The Committee have recommended rationalisation of some of these perquisites inter alia providing for discontinuance in some cases. Some of the perquisites are in the nature of ceilings, the actual quantum being left to the Board of Directors of the PSE concerned to decide. While implementing the directions given herein below, the Board of Directors of the PSEs concerned should decide the date from which a particular perquisite is to be introduced/modified/discontinued, unless otherwise a specific date is mentioned in these orders. While taking decisions regarding implementation of these orders, to the extent where discretion has been permitted to the Board of Directors of the PSE concerned, the following observations of the HPPC should be kept in view:

‘Taking into consideration the various factors mentioned above, we have adopted a different approach in regard to the perks that fall under item (i) above and in regard to all other items. In regard to perks under item (i), since they are common to all enterprises, we take the view that our recommendations in regard to these perks should be uniformly applicable to all the CDA PSEs. In regard to all other perks, our recommendations may be taken merely as prescribing the rates and the conditions under which they should be given, if they are given. In regard to the question as to whether any particular perk should or should not be given in any particular PSE, the discretion should be left entirely to the PSE concerned. In other words, the approach that the BPE had suggested to us in regard to pay scales and allowances, we have adopted only in regard to the allowances, viz: ‘Keeping all these factors the HPPC can suggest a number of pay scales and package of allowances out of which the PSEs can make appropriate choice depending upon their size, sophistication of operation, hierarchical requirements and the capacity to pay’.

(Para III. 7 Page 150)

The PSEs will also keep in mind the following recommendation appearing in para 16.4 of the Report, which is reproduced below:

“16.4 We have recommended in the respective chapters that the revised rates of House Rent Allowance and City Compensatory Allowance be made effective from a prospective date. Regarding the remaining benefits recommended in our report, we recommended that the public enterprises may take specific decisions to give effect to them keeping in view all relevant aspects including their financial position.”

The above would regulate instructions contained in the sub-paragraphs which cover all perquisites.

9.1 COMMON PERQUISITES:

9.1.1 City Compensatory Allowance: With effect from 1.1.1989, CCA would be paid at rates indicated in the table below:-

Pay Range (basic pay)	Amount of CCA in class of cities (Rs. Per month)		
	A	B1	B2
Below Rs. 950/-	30	25	20
Rs. 950 – 1499	45	35	20
Rs. 1500 – 1999	75	50	20
Rs. 2000 & above	100	75	20

(Para 11.6 page 152)

Between 1.1.1986 to 31.12.1988, CCA would be paid by these public enterprises to their employees to whom the recommendations of this Report are applicable at the existing rates on the notional pay in the pre-revised scales. The existing rates are as indicated in BPE's O.M. dated 5.4.1988.

(Para 11.7 page 153 and Supreme Court Judgement dt. 3.5.1990)

9.1.2. House Rent Allowance:

(i) The HRA would be paid by the PSEs following CDA pattern at the following rates:-

Delhi, Bombay - 30% of basic pay

Other A class cities - 25% of basic pay

B1 and B2 class cities - 15% of basic pay

'C' & Unclassified cities - 10% of basic pay

(ii) Between 1.1.1986 and 30.11.1988, HRA would be calculated by the enterprises on the notional pay in the pre-revised scale of pay. From 1.12.1988, HRA without production of rent receipt may be paid by these enterprises at the rates notified above on the revised scales of pay subject to a ceiling of Rs.1250/-, Rs.1000/-, Rs.680/-, Rs.340/- and Rs.310/- for Delhi, Bombay, A, B1 and B2 class cities & C class and other unclassified cities respectively.

(para 11. 15 pp. 154 and Supreme Court Judgement dt. 3.5.1990)

- (iii) Employees who have been claiming HRA based on production of rent receipt or on the basis of the rental value assessed by the Municipal Authorities of the self-occupied houses would be entitled to HRA on revised basic pay w.e.f. 1.12.1988 provided 10% of their basic pay is borne by them towards house rent.

- (iv) While Implementing these orders, the following recommendations of the HPPC in para 11.16, p.154 of the Report (reproduced below) may be kept in view:—

“The present rates prescribed by the BPE are in the nature of ceilings. We, however, note that some of the PSEs are sanctioning HRA at rates lower than these. This is perhaps the result of a process which we have discussed in the “introduction to Perquisites”. It is not our intention that such rates should now be raised. The BPE guidelines will continue to be only prescribed ceilings and not obligatory rates.”

- (v) The above ceilings would be revised after review of BPE’s order No. 1(3)/82-BPE (WC) dated 1.7.1983, as recommended by the HPPC, has been completed and revised orders are issued.

(para 11. 15 p. 154 & S. C. Judgement dt. 3.5.1990)

- (vi) **Leased Accommodation:** Limit on rental ceiling for leased accommodation in respect of key-officials as laid down in BPE’s O.M. No. 1(3)/82-BPE(WC) dated 25.7.1983 and O.M. No.2 (50)/87-BPE(WC) dated 1.4.1987, as amended from time to time, would be strictly observed by these public enterprises.

(para 11.17page 154)

- (vii) **Rent Recovery:** Rent recovery for township accommodation or for leased accommodation arranged by the P.S.E. would be at the rate of 10% of basic pay or standard rent. However, the PSEs may prescribe flat rates for each type of accommodation available in the township and recovery of rent on uniform basis for each type of accommodation. Rent recovery in respect of leased accommodation would, however, continue at the existing rates i.e. 10% of the Basic pay.

(Para 11.19 page 155)

9.1.3 Medical Facilities: Public enterprises should modify the Medical, attendance rules in line with parameters spelt out below:

- i. PSEs following CS (MA) Rules, should continue to follow the same rules wherever extended to their employees for both indoor and outdoor treatment. PSEs who have framed their own rules could continue to follow the same, subject to the modifications indicated hereunder:
- ii. For outdoor treatment, PSEs not having their own hospitals/ dispensaries should allow annual reimbursement of medical expenses upto a ceiling of Rs. 2400 or one months basic pay whichever is less, subject to a minimum of Rs. 1000/-. However, in case of special diseases like Cancer and TB, where outdoor treatment is advised, the Chief Executives/their authorised officers may be empowered to allow reimbursement beyond these limits, as a special case. These ceilings would apply to all PSEs irrespective of the Medical Rules being followed by them.
- iii. In some PSEs, there is a system of giving a fixed lumpsum monthly allowance for indoor and outdoor treatment. This should be discontinued.

- iv. The actual expenditure on indoor treatment/hospitalisation be reimbursed provided the treatment is carried out in any (a) Government hospital, (b) Government aided hospital, (c) Trust hospitals established on “no profit no loss basis”, or, in (d) selected hospitals specifically approved by the PSEs for such purpose. However, in regard to (d), the PSEs while approving such hospitals should also finalise the rates to be charged by such hospitals from PSE employees, keeping in view the rates fixed by the All India Institute of Medical Sciences (AIIMS). However, diet charges need only be reimbursed to eligible employees as per CS (MA) Rules.
- v. In PSEs, having their own hospitals/dispensaries, the employees should take treatment as indoor or as outdoor patient in such hospitals/dispensaries only and no reimbursement should be allowed. In case sufficient facilities are not available for outdoor/indoor treatment in such hospitals/dispensaries, the Specialists/Doctors of such PSEs, could refer cases to other approved hospitals and in such cases reimbursement could be allowed as per CS (MA) Rules.
- vi. Wherever PSEs are having their own hospitals/dispensaries they could extend medical facilities to their superannuated employees and their families, in such hospitals/dispensaries.
- vii. The treatment to be carried out in foreign countries would be permitted only as per Central Government orders issued from time to time, for their employees.
- viii. For purpose of medical treatment, family would include besides employee’s spouse, dependant parents, unmarried sisters, widowed dependant sisters, widowed dependant daughters, minor brothers and children provided they are wholly dependant and residing with the employee and also subject to the condition that their income from all sources put together does not exceed Rs. 500 per month.
- ix. While admitting reimbursement claims, the PSEs should strictly disallow the inadmissible medicines, tonics, toilets and medicines as per orders of the Central Government issued from time to time in this regard.

(Para 11.21 page 156)

9.1.4 Leave Travel Concession: The existing LTC Scheme should be reviewed and the LTC scheme available to the Central Government employees i.e., to visit home town once in a block of two years, and to visit any place in India once in a block of four years in lieu of one of the two concessions available to visit to home town, should be adopted by all PSEs uniformly without any deviation:

- a. The management of the PSEs could consider permitting their employees who are on pay scales not lower than Rs.4500-5700 to travel by air with their families while availing LTC.
- b. Encashment of LTC for home town as well as to visit any place in India wherever it presently exists, should be discontinued.

(para 11.22-11.25 pages 157-158)

9.2 Specific Perquisites: Specific perquisites like Field Allowance, Drilling Allowance, Underground/ Mining allowance, Special Compensatory Allowance, etc., as set out in Annexure XI could be granted by PSEs at the rates specified therein subject to the satisfaction of the conditions laid down by the Central government for payment of similar allowance for government servants.

No modification in the rates of these allowances would be carried out by the Management of the CDA PSEs unless and until some changes in these rates are notified by the Government in respect of the Central Govt employees.

(Paras 12.1 to 12.23 pages 159-166)

9.3 Other Perquisites

9.3.1 Conveyance Allowance: The managements of public enterprises following central DA could take a decision for payment of conveyance allowance to such of its executives and employees who own and maintain conveyance such as cars, scooters and mopeds and use them for official purposes.

Reimbursement of conveyance expenditure should be discontinued and instead conveyance allowance should be paid subject to the following ceilings : -

Sl.No.	Mode	Pay	'A' Class cities (per month)	Other than 'A' class cities
1.	Maintaining Car	Scale of Rs.3000 – 4500 & above	Rs.450	Rs.400
2.	Maintaining Scooter	(i) BP Rs.3000 and above	Rs.175	Rs.150
		(ii) BP between Rs. 1600 & Rs.2999	Rs.150	Rs.125
3.	Maintaining Moped	BP Rs.1400 & above	Rs.125	Rs.100
4.	Transport subsidy	(i) BP below Rs.1400	Rs.40	Rs.40
		(ii) Not maintaining any vehicle		

Employees presently drawing higher conveyance allowance than the ceilings specified above could be allowed to draw the existing conveyance allowance as personal to them till promotion to the next higher grade. In PSEs where conveyance allowance scheme does not exist, the question whether conveyance allowance scheme should be introduced is to be decided by the Board of Directors of the concerned enterprise. They could fix the rate of actual conveyance allowance subject to the ceilings indicated in the preceding table.

The enterprises who decide for payment of conveyance allowance to their employees should adopt the parameters as specified in the Annexure-XII while sanctioning conveyance allowance.

(Para 13.5-13.8 pages 167-168)

9.3.2 Encashment of leave while in service: The Management of the PSEs following Central DA pattern should modify their existing scheme for encashment of earned leave while in service on the basis of the parameters indicated in Annexure - XIII. Wherever such schemes do not exist a decision as to whether such a facility is to be extended to their employees is to be taken by their Board of Directors. The facility is to be extended on prospective basis and would be subject to the terms & conditions specified in Annexure XIII.

(para 13.9-13.10, page 169)

9.3.3 Leave encashment on resignation: An employee who resigns or quits service may be allowed 50% of encashment of non-encashable earned leave to his/her credit on the date of cessation of service. This would be limited to the maximum of 60 days as per BPE's O.M. No. 2(27)/85-BPE(WC) dated 24.4.87

(paras 13.10 (i –vii) page 170)

9.3.4 Half-pay leave: The facility of encashment of half pay leave /sick leave standing to the credit of an employee of a PSE should be discontinued.

9.3.5 Canteen subsidy: The existing provision relating to canteen facility in industrial unit and the scheme for provision of lunch subsidy etc. wherever they exist should be reviewed by the PSEs. This facility should be

rationalised in the following manner:

- (i) Where canteens are being run as a statutory obligation under various enactments, the existing arrangements could be continued.
- (ii) In PSEs having different subsidy provisions, such as canteen subsidy, lunch subsidy, etc. the existing arrangements could be continued.
- (iii) The rates of food items, beverages, snacks etc. should be regularly reviewed so as to match the increase in the cost of provisions.
- (iv) Cash allowance to employees as existing in some PSEs should be discontinued. The managements, however, should make efforts to make some alternative arrangements and provide at least minimum facilities for tea, beverages, snacks, etc. on the lines indicated above.
- (v) In PSEs where due to historical reasons the practice exists of providing tea, coffee, etc. free of cost, the managements of PSEs should review such arrangements and take final decision regarding continuance or otherwise, keeping in view various factors.

(paras 13.11-13.16, page 170)

9.3.6 Entertainment expenses: The guidelines laid down by BPE from time to time, on entertainment should be followed by all PSEs. The entertainment allowance given should also be regulated as per the BPE's OM No.3(15)/79-BPE(WC) dated 9.4.84, 31.7.85, and 3.9.1985.

(para 13.17, page 170)

9.3.7 Children Education Assistance: (a) Children Educational facilities wherever extended by these PSEs should be reviewed. These facilities should only be extended by the PSEs subject to the conditions laid down for Central Government employees. Reimbursement should, however, be restricted as actuals. The following ceilings should be observed:-

- (i) Reimbursement of tuition fee:
 - a) Class X and below Rs.20 p.m. per child
 - b) Class XI and XII Rs.25 p.m. per child
 - c) For physically handicapped & mentally upto XII class retarded children Rs.50 p.m. per child
- (ii) Children Educational Allowance. Rs.50 p.m. per child for Primary, secondary & Hr. Secondary class
- (iii) Hostel Subsidy Rs.150 p.m. per child
 - b) Subsidy for purchase of books should be discontinued.
 - c) In regard to merit scholarship schemes existing in a few PSEs the Board of Directors could consider the need for continuance or otherwise of such scholarships.
 - d) The above facilities could be extended to all categories of employees without any pay limit but restricted to two children

- e) The conditions for grant of educational facilities indicated above will be as applicable to Central Government employees.

(Para 13.18 – 13.24 , pages 170-172)

9.3.8 Uniform and uniform Allowance:

- (a) The PSEs may consider providing employees other than industrial workmen with 2 sets of summer uniforms every alternative year and one set of winter uniform once in 2 years in summer and winter seasons respectively. The uniform should be correlated with the nature of duties. They should not be supplied merely to enable identification by the public. In such cases no uniform need at all be provided. The managements of PSEs could decide about the number and frequency of uniform sets for industrial workmen on CDA taking into account the nature of duties, working conditions, etc. However, on jobs where protective clothing is mandatory under the Factory Act, the employees should be provided the same in accordance with the provisions of such regulations.
- (b) The nursing staff/para medical staff in the PSEs be granted uniform allowance at the rates not exceeding the norms prescribed for similar categories of Central Government employees. These facilities if not in existence in a PSE could be introduced by it with the approval of the Board. In the Central Government uniform allowance for the nursing staff has been enhanced from the existing rate of Rs.300 p.a. to Rs.1500 p.a. w.e.f. 1.10.1986. Government has also sanctioned a nursing allowance at the rate of Rs.150 per month to the nursing personnel of all levels w.e.f. 1.10.1986.

(paras 13.25-13.26, page 172)

9.3.9 Washing Allowance: Wherever PSEs are providing uniforms to certain categories of employees, washing allowance for these employees would be as given below:

Category of employees	Rates of washing allowance p.m.
------------------------------	--

- | | | |
|-----|---|-------|
| i) | Workmen Auxiliary Nurses, Mid-wives and lady Health Visitors | Rs.20 |
| ii) | Nursing Staff of all categories at all levels employed in hospitals/ dispensaries run by the PSEs | Rs.75 |

(Para 13.27, page 172).

9.3.10 Working Hours/Conditions of Service : In respect of the employees connected with manufacture or falling under the definition of workers or governed by the Factories Act, a decision about the number of working hours should be taken by the individual public enterprises having regard to the legal provisions. However, in respect of the employees working in various types of offices, consequent upon introduction of revised pay scales and improvement in various allowances and perquisites, as spelt out in the preceding paragraphs, the Management should ensure that the hours of work in each enterprise is not less than 40 hours per week.

(Para 14.2, page 174)

9.3.11 Employment of dependents: Wherever a PSE is following the practice of giving employment to the dependents of its employees, it should ensure that employment is given, wherever possible only to dependents of such employees who die in harness or who retire due to invalidation. Employment need not be provided to dependents of employees retiring in the normal course.

(Para 13.28, page 173)

9.3.12 Shift Allowance: Shift duty allowance paid by a PSE should be granted only to those employees who have to work during the night shifts.

(Para 13.29, page 173)

9.3.13 Punctuality Allowance/Attendance Bonus: The practice of payment of Punctuality Allowance/ Attendance Bonus to employees for maintaining punctuality in attendance, if any, introduced by the Public Sector Enterprises should be discontinued.

(para 13.30, page 173)

9.3.14 Miscellaneous Items: Any allowance/perquisites which are being extended by some of the PSEs not covered by the HPPC Report, should be reviewed by the managements of the PSEs in consultation with the administrative Ministry and ensure that the benefits are in line with what is applicable to similarly placed Central Government employees.

(Para 13.31, Page 173)

10. PRODUCTIVITY LINKED INCENTIVE SCHEMES

10.1 The existing incentive schemes wherever introduced by PSEs following CDA pattern should be reviewed whether they have provided adequate motivation for higher productivity. The accelerating as well as inability factors effecting the operation of these schemes should be identified for improvement to ensure that the gap between the laid down targets and the actual output is reduced. Selection of a single factor as done presently in some PSEs requires reconsideration. Productivity factors should be limited to a maximum of 2 to 3. Base level production should also be identified beyond which incentive starts operating. The schemes now operated by DTC, MTNL, Modern Food (I) Ltd. NTC (APKKM), NTC (Gujarat) should be reviewed.

10.2 Enterprises which do not have any incentive scheme could introduce the same having regard to the parameters spelt out by the HPPC in paragraph 15.16 on pages 182-183. The provisions of BPE's O.M. No. 2(2)/80-BPE(WC) dated 3.3.1984 should be kept in view while introducing a PLI Scheme.

(Paras 15.10-15.16, pp. 180-183)

11. NEXT PAY REVISION: The employees in respect of whom the recommendations of the HPPC are now being implemented under orders of the Supreme Court dated 3.5.1990 would get pay revision only as and when similar changes are effected for the Central Government employees.

(Supreme Court Judgement dated 3.5.1990)

12. OPTION TO CHANGE OVER TO IDA PATTERN: These employees will, however, have an option to switch over to the Industrial D.A. pattern and related scales of pay notified by the Government on voluntary basis.

(Supreme Court Judgement dated 3.5.1990)

13. ANOMALIES IN ALLOTMENT OF PAY SCALES : If any anomalies are noticed in a fitment of the existing scales into the general pattern of scales now notified, these could be reviewed by a Committee set up by the PSE concerned and the formulations processed after taking approval of the administrative Ministry in consultation with their Integrated Finance Wing.

(Para 8.20, p.68)

14. ADJUSTMENT OF THE AMOUNT ALREADY PAID BY THE PSEs: The amount already paid by the PSEs following CDA pattern under interim orders given by the Supreme Court/various High Courts by way of I.R., instalment of ADA and ad-hoc DA and on account payment' would stand adjusted against the arrear payments that may be admissible to the employees entitled to pay revision benefits under these orders.

15. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of public enterprises who are following CDA pattern for their information and necessary action.

(O.M. No. 2(43)/90-DPE (WC) dated 12th June, 1990)

3. Adoption of IDA pattern and related scales of pay w.e.f. 1.1.1989 by the PSEs which were on CDA Pattern.

In accordance with the directions given by the Hon'ble Supreme Court on 3.5.1990 all employees appointed on or after 1.1.89 in the PSEs following CDA pattern are deemed to have been appointed on the IDA pattern and related scales of pay. Model scales of pay both for the unionised staff/non-unionised Supervisors and Executives have been evolved. A statement containing the scales of pay as well as the IDA admissible as on 1.1.89 and on subsequent dates is enclosed. Pre-revised scales of pay under the 3rd CPC DA pattern have also been indicated in the statement.

2. All the 69 PSEs, which have been following CDA pattern should frame proposals for adoption of CDA pattern and related scales of pay. These PSEs could work out a comprehensive wage/salary pattern for the unionised/non-unionised employees including executives. The quantum of the perquisites, which they would like to extend to the employees appointed on IDA scheme and IDA scales of pay should be submitted by them to their administrative Ministries for appropriate approval in consultation with this Department.

3. All Administrative Ministries/Departments of the Government of India are requested to issue a Presidential Directive to the 69 PSEs which are on CDA by invoking the provisions of the Articles of Association of PSEs registered as limited companies/statutes of PSEs established as statutory corporations to take appropriate measures for implementing the directions given by the Hon'ble Supreme Court on 3.5.90 in the manner indicated above.

(DPE O.M. No. 2(48)/90-DPE (WC) dated 22nd April , 1991)

UNIONISED WORKMAN			
Pre-revised Model Scale of pay to be adopted			
1.1.73-31.12.85	by PSEs wef 1.1.89	
196-232/200-240/210-270	1035-20-1235-22-1345	(15)	
200-250/240-308			
210- 270/210-290	1065-22-1285-26-1415	(15)	
225-308/200-350	1095-26-1355-30-1475	(14)	
260-350/260-400	1135-30-1435-34-1707	(18)	
260-400/290-350			
260-430/290-400	1160-30-1460-34-1732	(18)	
260-480			
320-400	1205-34-1545-38-1811	(17)	

330-450/330-480		
330-560/330-530	1245-38-1625-41-1789-45-1969	(18)
380-560	1355-41-1765-45-1990	(15)
380-620/380-640/425-600	1370-41-1790-45-2015	(15)
425-640/425-700	1410-50-1910-60-2330	(17)
425-800/440-750/470-750		
550-800/550-750	1535-60-2135-70-2555	(16)
550-900	1900-75-2275-85-3040	(14)
EXECUTIVES TO BE RECRUITED ON IDA SCHEME/SCALES		
Pre-revised under 3rd CPC DA pattern 1-1-73 to 31-12-85	Model I.D.A scales w.e.f 1.1.1989	
650-1200	2100-100-3600	(15)
700-1300/1600	2400-120-4320	(16)
1100-50-1600	3000-130-3780-140-5040	(15)
1300-50-1800/1300-50-1700	3700-140-4400-150-5900	(15)
1500-2000/1500-1800	4400-150-5450-155-6225	
1800-2000/1800-100-2000-125/2-2250	5050-155-5828-165-6485	
2000-2250/2000-2500	5550-165-6870	
2250-125-2750	6250-175-7475	
2250-125/2-2750		
2500-125/2-2750	6500-175-7725	
2500-3000	7250-200-8250	
QUANTUM OF INDUSTRIAL D.A. FOR EXECUTIVES		
Effective from	Amount of IDA	AICPI
1.1.1989	221.10	819
1.4.1989	214.50	815
1.7.1989	231.00	825
1.10.1989	268.95	848
1.1.1990	301.95	868
1.4.1990	290.40	861
1.7.1990	331.65	886
1.10.1990	399.30	927
1.1.1991	453.75	960
1.4.1991	504.90	991
NON-EXECUTIVES		
Pay slabs	FIXED D.A. Amount of FDA w.e.f 1.1.1989	
Up to Rs. 1435	Rs. 101.60	
Rs. 1436 - Rs. 2000	Rs. 121.60	
Rs. 2001 - Rs. 2300	Rs. 181.60	
Rs. 2301 - Rs. 2400	Rs. 241.60	
Rs. 2401 and above	Rs. 361.60	

VARIABLE D.A		
w.e.f	AICPI	Amount of VDA (Rs.)
1.1.1989	819	221.10
1.4.1989	815	214.50
1.7.1989	825	231.00
1.10.1989	848	268.95
1.1.1990	868	301.95
1.4.1990	861	290.40
1.7.1990	886	331.65
1.10.1990	927	399.30
1.1.1991	960	453.75
1.4.1991	991	504.90
Name of Public Enterprises which are on CDA Pattern		
S. No.	Name of the Enterprises	
1.	Andaman & Nicobar Islands & Plantation Development Corpn. Ltd.	
2.	Bharat Aluminium Co. Ltd.	
3.	Bharat Gold Mines Ltd.	
4.	Bharat Leather Corpn. Ltd.	
5.	Bharat Ophthalmic Glass Ltd.	
6.	Bongaigaon Refinery & Petro-Chemicals Ltd.	
7.	Cement Corpn. of India Ltd.	
8.	Central Inland Water	
9.	Central Warehousing Cropn.	
10.	Cotton Corpn. of (I) Ltd.	
11.	Delhi Transport Cropn.	
12.	Educational Consultants India Ltd.	
13.	Engineers India Ltd.	
14.	Engineering Project (India) Ltd.	
15.	Food Corpn. of (I) Ltd.	
16.	Heavy Engineering Corpn. Ltd.	
17.	Hindustan Prefab Ltd.	
18.	Hindustan Salts Ltd.	
19.	Hindustan Steelworks Construction Ltd.	
20.	Hospital Services Consultancy. Corpn. (I) Ltd.	
21.	Housing & Urban Dev. Cropn.	
22.	Indian Drugs and Pharmaceuticals Ltd.	
23.	Indian Medicines Pharmaecuticals Corpn. Ltd.	
24.	Indian Railway Construction Company Ltd.	
25.	India Road Construction Corpn. Ltd.	
26.	Indian Tourism Dev. Corpn. Ltd.	

S. No.	Name of the Enterprises
27.	Jute Corpn. of (I) Ltd.
28.	Mahanagar Telephone Nigam Ltd.
29.	Manganese Ore (India) Ltd.
30.	Mazagon Dock Ltd.
31.	Mineral Exploration Corpn. Ltd.
32.	Mining & Allied Machinery Corpn. Ltd.
33.	Modern Food Industries (India) Ltd.
34.	National Airports Authority
35.	National Aluminium Co. Ltd.
36.	National Bldg. Construction Corpn. Ltd.
37.	National Hydroelectric Power Corpn. Ltd.
38.	National Ind. Dev. Corpn. Ltd.
39.	National Instruments Ltd.
40.	National Mineral Dev. Corpn. Ltd.
41.	National Projects Corpn. Ltd.
42.	National Research Dev. Corpn. Ltd.
43.	National seeds Corpn. Ltd.
44.	National Small Industries Corpn. Ltd.
45.	National Textile Corpn. Ltd.
46.	NTC (A.P., Karnataka, Kerala, Mehe.) Ltd.
47.	NTC (Delhi, Punjab & Raj.) Ltd.
48.	NTC (Madhya Pradesh)
49.	NTC (Gujarat) Ltd.
50.	NTC (Maharashtra North) Ltd.
51.	NTC (South Maharashtra) Ltd.
52.	NTC (T. Nadu, Pondicherry) Ltd.
53.	NTC (U.P.) Ltd.
54.	NTC (W. Bengal, Assam, Bihar & Orissa) Ltd.
55.	North Eastern Electric Power Corpn. Ltd.
56.	North Eastern Handicrafts & Handlooms Dev. Co
57.	North Eastern Regional Agricultural Mktg. Corpn. Ltd.
58.	Orissa Drugs & Chemicals Ltd.
59.	Rail India Technical & Economic Services Ltd.
60.	Rajasthan Drugs & Pharmaceuticals Ltd.
61.	Rehabilitation Industries Corpn. Ltd.
62.	Rural Electrification Corpn. Ltd.
63.	Sambhar Salts Ltd.
64.	State Farms Corpn. Of India Ltd.
65.	Telecommunications Consultants India Ltd.
66.	Uranium Corpn. of (I) Ltd.
67.	U. P. Drugs & Pharmaceuticals Ltd.
68.	Videsh Sanchar Nigam
69.	Water & Power Consultancy Services (India) Ltd.

DRAFT FOR PRESIDENTIAL DIRECTIVES

SUB: Directive to be issued by the administrative Ministries in pursuance of the Supreme Court decision dated 3.5.90 to the PSEs which have been following Central DA pattern for adoption of IDA pattern and related scales of pay in respect of their employees.

In accordance with the directions given by the Hon'ble Supreme Court in their judgement dated 3.5.90, Government has issued detailed instructions to the PSEs which were following Central DA pattern about the manner in which the recommendations of the High Power Pay Committee are to be implemented. The Hon'ble Supreme Court had also directed that government in its discretion could decide the scales of pay and DA pattern for the employees who have been appointed in these PSEs on or after 1.1.89. The court also directed that employees who have been appointed earlier on the IDA pattern would continue to be governed in accordance with the terms and conditions of their appointment. The enterprise should draw up revised scales on IDA pattern keeping the enclosed model drawn up by Government. Pre-revised scales of pay under the 3rd CPC DA pattern have also been indicated in the statement to facilitate evolving of approximate scales for employees presently on 3rd CPC DA pattern. In exercise of the powers conferred by the provisions of Article No..... of the Articles of Association of/Section of Act, the President is pleased to direct that should take immediate measures for adoption of IDA and related scales of pay should furnish details of the perquisites and other allowances that it would like to pay as part of the package deal to its employees appointed on or after 1.1.89 for approval of the Government. Compliance of this directive may be reported in the Annual Report of for the year 1991-92.

[DPE O.M. No.2(48)/90-DPE (WC) dated 22nd April , 1991]

4. Wage Policy for the 5th round of wage negotiations in Public Sector Enterprises.

The wage negotiations for the 5th round of wage settlements had been banned, vide Department of Public Enterprises D.O. No. 2(3)/91-DPE(WC), dated 17th October, 1991. The Government has since decided to withdraw the ban for the 5th round of wage negotiations. The Managements of Public Sector Enterprises may commence their wage negotiations with the Trade Unions/Associations.

2. Under the new wage policy, the Managements are free to negotiate the wage structure keeping in view and consistent with the generation of resources/profits by the individual enterprises/units. The Government will not provide any budgetary support for the wage increases and the respective managements will have to find the requisite resources from within their own internal generation. For certain PSEs which are monopolies or near monopolies or having an administered price structure, it must be ensured that increase in wages after negotiations do not result in an automatic increase in administered prices of their goods and services.

3. It has also been decided that the period of wage settlements shall be for 5 years and the revisions shall be subject to the condition that there shall be no increase in labour cost per unit of output.

4. The IDA scheme will continue and the present rate of neutralisation under the IDA scheme would constitute one of the elements of the future wage settlements.

5. The wage settlements should be negotiated by the PSEs in accordance with the above parameters. The administrative Ministries/Departments are requested to issue suitable instructions to the public sector enterprises under their administrative control on the above lines under intimation to this Department.

(Guidelines clarifying above OM on same subject is reproduced below.)

No.1(3)/86-DPE(WC) Dated: 17th January, 1994

The undersigned is directed to refer to this Department's OM of even number dated 12.4.1993 indicating the parameters under the new wage Policy on the basis of which the managements of PSEs may commence their wage negotiations with the Trade Unions. It was stated in para 3 of the said OM that the revisions shall be subject to the condition that there shall be no increase in labour cost per unit of output. There was some confusion in regard to this concept and DPE had received representations in this regard. In order to avoid prevailing confusion, it is further clarified that the cost of labour per unit refers to the physical unit and not to a unit in financial terms.

2. DPE is also getting a number of representations asking whether in view of the parameters spelt out in OM dated 12.4.1993, the Wage Settlements concluded by the management with their workers union are to be referred to the administrative Ministries/DPE for approval. It is further clarified that the PSEs have been delegated full autonomy to conclude the long term wage settlements with their workers union in accordance with the parameters spelt out in the said OM and such agreements do not require the approval of the administrative Ministries/Departments or concurrence of DPE.

3. In case of special difficulties being faced by PSEs in conducting wage negotiations in accordance with the parameters spelt out in OM dated 12.4.1993 and the clarifications issued vide para 1 above, the matter may be examined for special dispensation. This has to be done on case to case basis by the administrative Ministries in consultation with the DPE. Such instances are expected to be rather rare in any case.

4. The administrative Ministries/Departments are requested to issue instructions as per these clarifications to the Public Sector Enterprises under their administrative control under intimation to this Department.

(DPE O.M. No. 1(3)/86-DPE(WC) dated 12th April, 1993)

5. HPPC—Implementation of its recommendations—Stagnation Increments – employees on CDA pattern.

The undersigned is directed to refer to this Department's OM of even number dated 22.4.1991 wherein it had been stated that stagnation increments wherever granted should be treated as pay for all purposes other than for fixation of pay on promotion. This will have the effect that stagnation increments would be taken into account for all purposes like -DA, CCA, HRA and retirement benefits.

2. The matter has been re-examined in the Govt. and it has now been decided that stagnation increment shall be taken into account for fixation of pay on promotion to the higher post. These orders take effect from 30.9.1993.

3. All administrative Ministries/Departments of the Govt. of India are requested to bring the foregoing to the notice of Public enterprises who are following Central DA pattern for their information and necessary action.

(DPE O.M. No. 2(43)/93 – DPE (WC) dated 15th March, 1994)

6. Revision of Scales of Pay of the Executives holding posts below the Board level and non-unionised supervisors w.e.f. 1.1.1992.

The scales of pay of the Executives holding posts below the Board level and non-unionised supervisors following IDA pattern in the Public Enterprises were last revised w.e.f. 1.1.1987 in the terms of the guidelines spelt out in DPE's D.O. letter of even number dated 4.4.1990.

2. Government have now decided that the pay scales of the above two categories would stand revised with effect from 1.1.92.
 3. It has further been decided to issue guidelines as per details given in Annexure-I. The PSEs, however, are being given the flexibility to adopt the pay scales at PSEs level depending on their requirements. The fitment method would be as indicated in Annexure-II.
 4. The Industrial DA at AICPI-1099 as on 1.1.1992 admissible to the incumbents of the below Board level posts in the revised scale would be as 'nil', as the amount of Rs.787.75 drawn as IDA as on 1.1.1992 has been merged in the revised basic pay. The DA payable from 1.4.1992 to the incumbents of the below Board level posts would be as per new DA scheme. The details of the scheme are indicated in Annexure – III
 5.
 - (i) The ceiling for payment of HRA without production of rent receipt and monetary ceiling for leased accommodation set out in sub-paragraphs (ii) and (v) of the paragraph 4 of the OM No.2(8)/91-DPE(WC) dated 3.3.92 would stand revised w.e.f.1.4.1994 as per details given in Annexure-IV. There would be no change in the plinth area ceilings.
 - (ii) Recovery towards rent for the furnished and unfurnished accommodation provided by the public enterprises would be as per the details given in the Sub-paragraphs (x) and (xii) respectively of paragraph 4 of the OM No.2(8)/91-DPE(WC) dated 3.3.92. Rent recovery on revised pay would be computed w.e.f. 1.4.94.
- For the period between 1.1.1992 and 31.3-1994 HRA, leased accommodation & recovery of rent would be computed and paid on the pre-revised basic pay.
6. Non- Practising Allowance (NPA) to the medical executives would stand revised w.e.f. 1.1.92. The details are given in Annexure-I.
 7. City Compensatory Allowance would continue to be paid by the PSEs at the existing rates within the overall ceilings given in Annexure-IV.
 8. The Payment of Gratuity Act, 1972 has been amended w.e.f. 24.5.1994 and now all employees irrespective of the salary drawn by them are covered under the provisions of the Payment of Gratuity Act. Thus, w.e.f. 24.5.1994 payment of gratuity would be regulated by the PSEs in accordance with the provisions of Payment of Gratuity Act, 1972, is amended from time to time. For the period between 1.1.92 and 24.5.94, gratuity would be regulated by the PSEs in accordance with the instructions issued by the DPE vide OM No.2(29)/75-DPE(WC) dated 23.6.1988 read with subsequent amendments.
 9. Employer's Contribution to PF by all the PSEs would continue to be at the rate of 8.33% or 10% of basic pay plus DA plus PP (where admissible) on the revised pay structure right from 1.1.1992.
 10. Other perks like rates of conveyance reimbursement, transport subsidy, canteen subsidy, North-eastern allowance, underground allowance, project allowance, etc., would be frozen as on 1.4.1994 and liberalisations allowed by the PSEs on unilateral basis after 1.4.94 would have to be rolled back.
 11. The pay revision of the executives holding posts below the Board level and non-unionised supervisors would be permitted subject to the conditions stipulated in the DPE's OM No. 1(3)/86-DPE(WC) dated 12.4.93 and 17.1.94. These conditions prescribe that there shall be no increase in labour cost per physical unit of Output. The Government shall not provide any budgetary support to the PSEs for meeting the enhanced liability. The PSEs which are monopolies or near monopolies or having an administered price structure, it must be ensured that increase in salaries/wages do not result in an automatic increase in administered price of their goods and services. Requisite resources for the pay increases, must be found from within own internal generation.

12. Procedure for approval and adoption of new scales of pay and the IDA pattern by PSEs would be as per the details given in Annexure-V. The procedure outlined in Annexure-V must be scrupulously followed.
13. For sick PSEs registered with the BIFR, pay revision and grant of other benefits will be allowed only if it is decided to revive the Unit. The revival package should include the enhanced liability on this account. The benefit of pay revision, etc., shall be extended to IISCO and financial liability thereof shall be met by SAIL.
14. The revised pay scales for non-unionised supervisors and executives would be valid for a period of 5 years w.e.f. 1.1.92.
15. A copy of the advice given to the Public Enterprises may be endorsed to the DPE.

(DPE O.M. No. 2(50)/86– DPE (WC) dated 19th July, 1995)

ANNEXURE – I	
<i>Guidelines for Revised Scales of Pay for the Executives Holding Posts Below The Board Level w.e.f.1.1.92</i>	
Existing W.E.F. 1.1.1987	Guidelines W.E.F 1.1.1992
E-0 02100-90-2550-100-3450 2100-90-2550-100-3550 2100-100-3600 2100-90-2550-100-3650 2100-100-3700 2150-90-2690-100-3390 2150-100-3850 2200-100-3600 2200-100-3800 2200-90-2650-100-3850 2250-100-4150 2300-90-2750-100-3750 2350-100-4150	3500-150-6200
E-1 2400-110-3940 2400-100-3000-120-3960 2400-100-3000-120-4080 2400-120-4320 2450-120-4370 2500-120-4300 2500-120-4540 2500-125-4625 2650-120-4450-130-5100 2800-120-3450-130-4830	4000-175-7150
E-2 3000-120-3720-140-4560 3000-130-4560 3100-130-3750-140-5150 3200-120-5120 3450-140-4770-150-5470	4800-200-5800-250-8275
E-3 3700-140-4540-150-5480 3700-140-4400-150-5900 3850-140-4550-150-6050 4000-150-5950	5400-225-6300-250-9050

Existing W.E.F. 1.1.1987		Guidelines W.E.F 1.1.1992
E-4	4150-150-4800-160-6340 4300-150-5050-160-5850 4400-150-5450-155-6225 4400-150-6350 4500-160-5140-175-6365 4600-150-5350-160-6790	6500-250-7500-275-9425
E-5	4900-160-5700-175-6400 5000-160-5800-175-6850 5000-170-6870 5100-175-6850 5100-160-5900-175-6950 5200-160-6000-175-6875	7000-275-8100-300-9600
E-6	5500-175-7075 5550-165-6870 5600-175-7175 5650-175-7225 5750-175-7325 5800-175-7200	7500-300-9900
E-7	a. 6250-175-7475 b. 6500-175-7725	a. 8250-300-10050 b. 8500-300-10300
E-8	7250-200-8250	9500-400-11500
E-9	8250-200-9250	11500-400-13500
<i>Guidelines for revised scales of pay for the NON- UNIONISED SUPERVISORS W.E.F. 1.1.1992</i>		
Existing W.E.F. 1.1.1987		Guidelines W.E.F 1.1.1992
S - 1	1700-70-2260-80-2580 1700-80-2260-90-3070 1750-60-2170-65-2690 1750-65-2075-75-3125	2800-90-3430-100-4930
S - 2	1875-60-1995-70-2905 1875-70-2365-75-2965 1875-70-2015-80-2975-90-3155 1900-75-2275-85-2870 1950-70-2300-80-2700-90-3420	3000-105-3735-110-5055
S - 3	2000-80-3280 2000-90-3450 2050-80-2450-90-3170-95-3550 2075-70-2215-80-3255	3200-110-3970-120-5290

Existing W.E.F. 1.1.1987		Guidelines W.E.F 1.1.1992	
2075-80-2635-85-3315 2075-80-2235-90-3315-100-3615			
S – 4	2250-85-2930-90-3740 2300-80-2700-100-3700	3375-120-4335-140-5735	
<i>Foot note:</i> For Executives and Non-unionised supervisors pay scales.			
E-9 scale can be adopted only by a PSE which is in Schedule “A” and other posts in the Company at the Board Level are in Schedule “B”. A schedule “B” company is not authorised to adopt this scale of pay.			
E-8 scales can be adopted by PSE which is in Schedule “A” as well as in Schedule “B”. If a PSE which is in Schedule “C”, but does not have any Board Level post it can adopt the scale of pay given at E – 8 for its Executive Directors / SGMs / CGMs.			
There is no bar to the adoption of the revised scales of pay as proposed at E-7 by PSEs belonging to either “A”, “B”, “C” and “D” schedule.			
The scales of pay of the non-unionised supervisors who are on IDA pattern would stand revised w.e.f. 1.1.1992 as above.			
In case, a PSE has got only three scales of pay for non-unionised supervisors, it is permissible for them to adopt three replacement scales as indicated in the preceeding table.			
These scales of pay can also be adopted by these PSEs in respect of Unionised supervisors provided they are willing to have a understanding with the Management of the PSEs to have separate cadre for them independent of the unionised employees. They then would not be eligible for the benefits admissible to the unionised employees as per the wage settlement signed by the Management with the recognised Unions.			
Non-Practicing Allowance (NPA)			
Rates of Non-Practicing Allowance to the medical executives would stand revised w.e.f. 1.1.1992 as follows :			
Basic Pay range (Existing)	Existing entitlement	Basic Pay Range (Proposed)	Proposed entitlement
Upto Rs. 3500	Rs.600/-	Upto Rs. 5000/-	Rs. 1000/-
Rs. 3501 - 4300	Rs.850/-	Rs. 5001 – 6500	Rs.1250/-
Rs.4301 - 6500	Rs.950/-	Rs.6501 – 9500	Rs.1330/-
Rs.6501 and above	Rs.1000/-	Rs.9501 and above	Rs.1500/-
Non-practicing Allowance would count as pay for the purpose of Dearness Allowance. Gratuity and Employer’s contribution to CPF but would not be taken into account for purposes of fixation of pay in the revised scale.			

Fitment Method :

Fitment Method would be as follows:

Basic pay in revised scale would be fixed as under:

- a. Basic pay in the existing scale of pay as on 1.1.1992_Plus
- b. Actual DA as on 1.1.1992 at AICPI 1099:
- c. The fitment amount on account of revision of pay shall be “upto 20%” of basic pay in the existing scale pay as on 31.12.1991. (Fitment not to be computed on NPA payable to Medical Executives) Plus
- d. Personal Pay/Personal Allowance/Personal DA wherever payable along with existing basic pay.

On the aggregate pay fixed in the revised scale, where the total does not fit in a stage of the revised scale of pay, the pay will be fixed at the next higher stage.

If in some cases the total of the (a) to (d) as above exceeds the maximum of the revised scale of pay, or wherever the basic pay so fixed on the revised scale, does not allow grant of three increments to an Executive/ Non-unionised supervisor as on 1.1.1992, then in such circumstances, the pay of the concerned executive or non-unionised supervisors should be fixed at three stages below the maximum of the scale and the balance amount should be treated as PP. On promotion or appointment in the next higher scale, his pay would be fixed in the normal course, i.e. taking into account only the Basic Pay for the purpose. PP would be allowed to be carried forward in addition and this would be adjusted in the next pay revision. Detailed instructions would be issued by the DPE to the PSEs in this regard.

PUBLIC SECTOR DEARNESS ALLOWANCE SCHEME*Salient Features*

- A. All India Consumer Price Index number for industrial workers (general) based on 1960 = 100 (AICPI) is used for grant of compensation to the employees of PSEs for price rise.
- B. DA installments would be released 4 times a year w.e.f. 1st January, 1st April, 1st July and 1st October.
- C. DA would be paid for the increase in AICPI above quarterly index average of 1099 to which the revised scales of pay are related.
- D. The percentage increase in the quarterly average of the AICPI for the period ending February, May, August and November over index 1099 would be taken upto one decimal point.
- E. The rate of compensation of the employees of PSUs over the basic pay at index average of 1099 is also in whole numbers with fractions carried forward.

F. The percentage neutralisation to employees in different pay ranges would be as under:

Pay Ranges – Basic Pay	Neutralisation Percentage
Upto Rs.3500	100*
Rs.3501 – 6500	75 Subject to marginal adjustments
Rs.6501 – 9500	60
Rs.9501 and above 50	

*Subject to a minimum of Rs2/- per point shift in AICPI quarterly average beyond 1099 w.e.f. 1.1.1992.

Footnote : I

Quarterly averages would be computed in the following manner :

Quarterly Averages	<u>Payable from</u>
September, October and November	1st January
December, January and February	1st April
March, April and May	1st July
June, July and August	1st October

Footnote : II

The quarterly average of AICPI for the months of September, October and November, 1991 worked out to 1099 and the DA under the IDA scheme at the admissible rates payable from 1.1.1992 is being merged in the basic pay. DA admissible under the new formula evolved for the public sector employees would be NIL on 1.1.1992. The first instalment of DA would become due from 1.4.1992.

STATEMENT SHOWING ILLUSTRATION – COMPENSATION TO BE WORKED OUT UNDER PERCENTAGE DA SCHEME

	Basic pay upto Rs.3500/-pm	Basic pay above Rs.3500/- pm and upto Rs.6500/-pm	Basic pay above Rs.6500/- pm and upto Rs.9500/-pm	Basic pay above Rs.9500/-pm
% Neutralisation Qtrly. Arithmetic average to which related	100 1099	75 1099	60 1099	50 1099
Qtrly Average of AICPI ending Feb. 1992 – payable from 1.4.92 (1121 points)	2% of pay subject to a minimum of Rs.44/-	1.5% of pay subject to a minimum of Rs.70/-	1.2% of pay subject to a minimum of Rs.98/-	1% of pay subject to a minimum of Rs.114/-
Qtrly Average of AICPI ending May 1992 – payable from 1.7.92 (1141 points)	3.8% of pay subject to a minimum of Rs.84/-	2.8% of pay subject to a minimum of Rs.134/-	2.3% of pay subject to a minimum of Rs.182/-	1.9% of pay subject to a minimum of Rs.218/-
Qtrly Average of AICPI ending Aug. 1992 – payable from 1.10.92 (1183 points)	7.6% of pay subject to a minimum of Rs.168/-	5.7% of pay subject to a minimum of Rs.266/-	4.6% of pay subject to a minimum of Rs.371/-	3.8% of pay subject to a minimum of Rs.437/-

Basic pay upto	Basic pay above Rs.3500/-pm	Basic pay above Rs.3500/- pm and upto Rs.6500/-pm	Basic pay above Rs.6500/- pm and upto Rs.9500/-pm	Rs.9500/-pm
Qtrly Average of AICPI ending Nov. 1992 – payable from 1.1.93 (1202 points)	9.4% of pay subject to a minimum of Rs.206/-	7% of pay subject to a minimum of Rs.329/-	5.6% of pay subject to a minimum of Rs.455/-	4.7% of pay subject to a minimum of Rs.532/-
Qtrly Average of AICPI ending Feb. 1993 – payable from 1.4.93 (1193 points)	8.5% of pay subject to a minimum of Rs. 188/-	6.4 % of pay subject to a minimum of Rs. 298/-	5.1% of pay subject to a minimum of Rs. 416/-	2% of pay subject to a minimum of Rs. 485/-
Qtrly Average of AICPI ending May 1993 – payable from 1.7.93 (1207 points)	9.8% of pay subject to a minimum of Rs. 216/-	7.3% of pay subject to a minimum of Rs.343/-	5.9% of pay subject to a minimum of Rs.475/-	4.9% of pay subject to a minimum of Rs. 561
Qtrly Average of AICPI ending Aug. 1993 – payable from 1.10.93 (1248 points)	13.5% of pay subject to a minimum of Rs. 298/-	10.1% of pay subject to a minimum of Rs. 473/-	8.1% of pay subject to a minimum of Rs. 657/-	6.7% of pay subject to a minimum of Rs. 770/-
Qtrly Average of AICPI ending Nov. 1993 – payable from 1.1.94 (1292 points)	17.6% of pay subject to a minimum of Rs. 386/-	13.2% of pay subject to a minimum of Rs. 616/-	10.6% of pay subject to a minimum of Rs. 858/-	8.8% of pay subject to a minimum of Rs. 1007/-
Qtrly Average of AICPI ending Feb. 1994 – payable from 1.4.94 (1302 points)	18.5% of pay subject to a minimum of Rs. 406/-	13.9% of pay subject to a minimum of Rs. 648/-	11.1% of pay subject to a minimum of Rs. 904/-	9.2% of pay subject to a minimum of Rs. 1055/-
Qtrly Average of AICPI ending May 1994 – payable from 1.7.94 (1328 points)	20.8% of pay subject to a minimum of Rs. 458/-	15.6% of pay subject to a minimum of Rs. 728/-	12.5% of pay subject to a minimum of Rs. 1014/-	10.4% of pay subject to a minimum of Rs. 1188/-
Qtrly Average of AICPI ending Aug. 1994 – payable from 1.10.94 (1384 points)	25.9% of pay subject to a minimum of Rs. 570/-	19.4% of pay subject to a minimum of Rs. 907/-	15.5% of pay subject to a minimum of Rs. 1261/-	12.9% of pay subject to a minimum of Rs. 1473/-
Qtrly Average of AICPI ending Nov. 1994 – payable from 1.1.95 (1427 points)	29.8% of pay subject to a minimum of Rs. 656/-	22.3% of pay subject to a minimum of Rs. 1043/-	17.9% of pay subject to a minimum of Rs. 1450/-	14.9% of pay subject to a minimum of Rs. 1701/-

Basic pay upto	Basic pay above Rs.3500/-pm	Basic pay above Rs.3500/- pm and upto Rs.6500/-pm	Basic pay above Rs.6500/- pm and upto Rs.9500/-pm	Rs.9500/-pm
Qtrly Average of AICPI ending Feb. 1995 – payable from 1.4.95 (1429 points)	30% of pay subject to a minimum of Rs. 660/-	22.5% of pay subject to a minimum of Rs. 1050/-	18% of pay subject to a minimum of Rs. 1463/-	15% of pay subject to a minimum of Rs. 1710/-

ANNEXURE IV

Payment of HRA to the employees of Central PSEs and leasing of residential accommodation for Chief Executives, Functional Directors and key officials and recovery of rent thereof etc.

The Committee of Secretaries at their meeting held on 3.2.1992 approved the DPE's proposal for continued payment of HRA at the following rates:

Delhi , Bombay 30% of Basic Pay

Other "A" class cities 25% of Basic Pay

B1, B2 class cities 15% of Basic Pay

"C" class and other unclassified areas 10% of Basic Pay

Payment of HRA at the above rates would, however, be subject to the proviso that these employees / executives would have to bear 10% of their basic pay towards house rent. Payment would also be subject to their producing the rent receipt from their landlords / valuation certificate issued by the Municipal Authority in respect of the house occupied by them. The rates indicated above are in the nature of ceilings. If some PSEs have agreed to pay HRA at the rates which are either high or lower than the norms indicated above under the subsisting wage settlement/understanding arrived at with the unionised staff, non-unionised supervisors and the executives, their cases need not to be re-opened during the period of validity of the wage settlement/period of understanding with the unionised and non-unionised staff. However, the ceilings on payment of HRA as spelt out above should be incorporated in all further wage settlements/pay revisions for the executives as per the overall pay/ wage package. The quantum of HRA paid to an executive or an employee in terms of the existing wage settlement/officers pay revision understanding could be protected as personal to the individual employee if the quantum of HRA worked out on the basis of the revised norms results in lower payment to the individual.

HRA without Production of Rent Receipt :

The ceilings for payment of HRA without production of rent receipt for the executives and non-unionised supervisors following IDA pattern would stand revised w.e.f.1.4.1994 as follows :

S.No.	City	IDA Rs. Proposee	PSEs Rs. Existing	CDAPSEs Rs. Existing
1.	Delhi, Bombay	1500	1000	1250
2.	Other "A" class cities	1500	1000	1000
3.	"B1", "B2" class cities	1500	1000	680
4.	"C" class cities	750	500	340
5.	Unclassified areas	450	300	310

There would be no increase in the ceilings for the payment of HRA without production of rent receipt for employees who continue on CDA pattern.

Ceilings for Leased Accommodation :

The monetary ceilings for leased accommodation set out in para (iv) and (v) of para 4 of the DPE's OM dated 3.3.92, which had been worked out with relation to the pre-revised scales of pay would stand revised as per details given in the following table :

Revised Ceilings for leased accommodation for key officials holding posts below the Board Level in central PSEs following IDA pattern pay scales :

Pay Scale Range	Plinth Area	Delhi Bombay Calcutta	Ahmedabad, Madras, Bangalore, Hyderabad, & Other "A" Class Cities	B1, B2 "C" Class Cities and other Areas.
Rs.	Sq.Ft.	Rs.	Rs.	Rs.
11500-13500	1500	5400	4700	3400
9500-11500	1200	4600	4100	2900
8500-10300	1200	4100	3600	2600
7500-9900	1200	4000	3500	2500
<u>CCA</u>				
Classification of Cities	A Class Cities		B-1 Cities	B-2 Cities
Rates at which CCA is payable	6% of BP subject to max of Rs.100/-		4.5% of BP subject to max of Rs.75/-	3.5% of BP subject to max. of Rs.20/-

ANNEXURE V

PROCEDURE FOR APPROVAL AND ADOPTION OF NEW SCALES OF PAY UNDER THE IDA PATTERN BY PSES

Profit making PSEs, loss making PSEs and PSE before BIFR:

Public Sector Enterprises are considered as 'State' under the Provisions of Article 12 of the Constitution of India. Both the Supreme Court and the various High Courts have been giving directions in the recent past either for restoration of parity in the scales of pay in one PSE with that of another PSE or removal of anomalies. In order to avoid further litigation, it has, therefore, been proposed that the scales of pay of the incumbents of the top posts, executives holding posts below the Board level and non-unionised supervisors would be similar in all PSEs irrespective of profit or loss made by them. Unlike workers, executives and the Board Members are answerable and accountable to the Government as owners of the PSEs and hence their entitlements require clearance by the Government at least in the case of loss making and BIFR cases etc. and for any deviation. The following procedure would be adopted:

- PSEs which have been making profit consistently for the last 3 years viz. 1991-92, 1992-93 and 1993-94:- These PSEs would be allowed to adopt the scales of pay for the executives holding posts below the Board level and non-unionised supervisors as given in Annexure – I
- PSEs which did not make profit during the last 3 years:- PSEs which did not make profit during the last 3 years viz, 1991-1992, 1992-93 and 1993-94 or had incurred net loss during any of these financial

years would also be allowed to adopt these scales of pay of their executives holding posts below the Board level and non-unionised supervisors with the approval of the Government i.e. the administrative ministry acting in consultation with the DPE, provided they give an estimate as to how resources would be generated by them to meet the extra expenditure.

- c) Sick PSEs – Sick Industrial Companies (Special provisions) Act, 1985 has been amended and the PSEs have been brought within its purview. So far 50 PSEs have been registered with the BIFR. Having regard to the new developments, it is suggested that the PSEs which have been referred to BIFR would not be allowed the benefit of revised scales of pay – for their Board level executives, executives holding posts below the Board level and non-unionised supervisors – unless and until the verdict of the BIFR is available. Where BIFR has ordered closure of the PSEs, action would be expedited to pay the compensation as per the provisions of the Act and close down the PSEs. Wherever revival plan for a PSE has been approved by the BIFR, proposals for adopting revised scales of pay for Board level executives holding posts below the Board level and non-unionised supervisors as well as the new DA formula w.e.f. 1.1.1992 would be required to be submitted by these PSEs to the Government for appropriate approval by the administrative ministry acting in consultation with the DPE provided they give an analysis of their wage bill and also spell out measures to mobilise resources to meet the extra burden.
- d) PSEs under construction or new PSEs:– Eight PSEs are under construction. Some PSEs have been created by merger of existing establishments e.g. Power Grid Corporation of India. These PSEs should submit their proposals for adoption of revised scales of pay and DA pattern for their executives holding posts at the Board level, below Board level and non-unionised supervisors to their administrative ministries for appropriate approval in consultation with the DPE, giving details of their likely date of going on commercial production, etc.
- e) Where matters are subjudice:– As per Supreme Court’s directions dated 3.5.90 and 28.8.91, employees/executives appointed on or after 1.1.89 in the 69 PSEs which hitherto followed CDA pattern have been placed on IDA pattern and related scales of pay to be prescribed by Government in its discretion. The executive associations of some other PSEs which have approached various High Courts/Supreme Court for review of the directions of the Supreme Court and for permission to draw salary as per HPPC’s, scales of pay and DA pattern. The revised scales of pay and the new DA formula which is being notified for all others PSEs could also be opted by them at their own volition. These scales of pay and DA system would not be applicable to DTC as they have secured an Order from the Supreme Court to continue on the Government scale and DA pattern.
- f) The conditions prescribed for wage negotiations of unionised workers in BPE’s OMs dated 12.4.93 and 17.1.94 should be fulfilled for the above pay revisions.
- g) DPE will issue detailed instructions, wherever necessary, regarding the matters dealt with in the Note.

(DPE O.M. No. 2(50)/86-DPE(WC) dated 19th July, 1995)

7. Board level Posts in Public Enterprises-Revision of scales of pay of schedule Posts w.e.f. 1.1.1992.

The undersigned is directed to say that the scales of pay of the incumbents of the top posts i.e. Executives holding Board level posts were last revised by the Government w.e.f. 1.1.1987. Government have decided that the scale of pay attached to the Schedule Posts i.e. Board level posts would stand revised w.e.f. 1.1.1992 as follows:

		Existing	Revised
1.	Schedule 'A'	9000-250-10000	13000-500-15000
2.	Schedule 'B'	8500-200-9500	12000-400-14000
3.	Schedule 'C'	7500-200-8500	10000-400-12000
4.	Schedule 'D'	6500-175-7550	9000-300-10500

The above scales of pay would be valid for a period of five years i.e, till 31.12.1996.

2. The fitment benefit and fitment method would be as indicated in Annexure- I

3. The Industrial DA at AICPI - 1099 as on 1.1.1992 admissible to the incumbents of the Board level posts in the revised scale would be 'nil' as the amounts of Rs.787.75 drawn as IDA as on 1.1.1992 has been merged in the revised basic pay. The DA payable from 1.4.1992 to the incumbents of the Board level posts would be as per new DA scheme. The details of the scheme are indicated in Annexure -II.

4. All fresh appointments to the Board level posts hereafter would be made in the revised scale of pay and DA scheme as mentioned in paras 1 and 3 above.

5. (i) The ceiling for payment of HRA without production of rent receipt and monetary ceiling for leased accommodation set out in sub-paragraphs (ii) and (iv) of the paragraph 4 of the OM No.2(8)/91-DPE(WC) dated 3.3.92 would stand revised w.e.f. 1.4.94 as per details given in Annexure-III. There would be no change in the plinth area ceilings. The revised monetary ceilings would also be applicable w.e.f. 1.4.94 to part-time Chairman for whom leased accommodation is to be provided by the PSEs.

(ii) Recovery towards rent for the furnished and unfurnished accommodation provided by the public enterprises would be as per details given in the sub-paragraph (x) and (xii) respectively of paragraph 4 of the OM No. 2(8) / 91 DPE (WC) dated 3.3.92. Rent recovery on revised pay would be computed w.e.f. 1.4.94.

For the period from 1.1.92 to 31.3.94, HRA, leased accommodation and rent recovery would be computed and paid on pre-revised basic pay.

6. The monthly rates of recovery for non-duty journeys performed by the Staff cars provided to these executives would continue as at present as indicated in para 7 of this Deptt.'s OM No. 4(12)/82-BPE (WC) dated 1.4.87. City Compensatory Allowance would be paid as under :-

Classification of Cities	A Class Cities	B-1 Cities	B-2 Cities
Rates at which CCA is payable	6% of *BP subject to maximum of Rs.100/-	4.5% of *BP subject to maximum of Rs.75/-	3.5% of *BP subject to maximum of Rs.20/-

*BP = Basic Pay

7. Wherever Productivity Linked Incentive Scheme have been introduced by the PSEs with the prior approval of the Government, the benefit of incentive payment under the existing Productivity Linked Incentive Scheme would also be extended to the incumbents of the Board level posts.

8. The administrative Ministries are requested to fix the pay of the incumbents of the Board level posts who were in employment in their enterprises as on 1.1.92 in the manner indicated above and forward their files to the DPE for vetting as required under the existing instructions contained in BPE's DO Letter No.1/1/89-BPE (S&A)

Cell dated 14.2.89 and DOPT's OM No. 27(14)/EO/89 (ACC) dated 6.12.89, and as per procedure indicated in Annexure-IV.

9. For sick PSEs registered with the BIFR, pay revision and grant of other benefits will be allowed only if it is decided to revive the unit. The revival package should include the enhanced liability on this account. The benefit of pay revision etc. shall be extended to IISCO and financial liability thereof shall be met by SAIL.

10. The basic thrust of the new Wage policy for the fifth round of wage negotiation as contained in OM dated 12.4.1993 read with OM dated 17.1.1994 is that the PSUs should generate their own resources for meeting enhanced liability on account of wage revision and no budgetary support would be extended to them by the Government. In the case of revision of scales of pay of Board level posts in Public Enterprises also, the same thrust as contained in the aforementioned OMs of Department of Public Enterprises would hold good. It is clarified that the procedure detailed in Annexure-IV must be followed scrupulously and there will not be any budgetary support for giving the revised scales of pay. The respective Managements/ administrative Ministries/ Departments will have to find the requisite resources from within their own internal generation. There should not also be any automatic increase in administered prices of their goods and services.

11. All the administrative Ministries/Departments are, therefore, requested to issue Presidential Directives as per draft enclosed (Annexure-V) to the concerned PSEs under their administrative control to give effect to the above mentioned revision in scales of pay of Scheduled posts w.e.f. 1.1.1992. A copy of the directive issued may be sent to DPE.

ANNEXURE-I

Fitment Method :

Fitment Method would be as follows:

Basic pay in revised scale would be fixed as under:

- (a) Basic pay in the existing scale of pay as on 1.1.1992
- (b) Plus Actual DA as on 1.1.1992 at AICPI 1099:
- (c) The fitment amount on account of revision of pay shall be "upto 20 %" of basic pay in the existing scale pay as on 31.12.1991. (Fitment not to be computed on NPA payable to Medical Executives)

Plus (d) Personal Pay/Personal Allowance/Personal DA wherever payable along with existing basic pay.

On the aggregate pay fixed in the revised scale, where the total does not fit in a stage of the revised scale of pay, the pay will be fixed at the next higher stage.

If in some cases the total of the (a) to (d) as above exceeds the maximum of the revised scale of pay, or wherever the basic pay so fixed on the revised scale, does not allow grant of three increments to an Executive/ Non-unionised supervisor as on 1.1.1992, then in such circumstances, the pay of the concerned executive or non-unionised supervisors should be fixed at three stages below the maximum of the scale and the balance amount should be treated as PP. On promotion or appointment in the next higher scale, his pay would be fixed in the normal course, i.e. taking into account only the Basic Pay for the purpose. PP would be allowed to be carried forward in addition and this would be adjusted in the next pay revision. Detailed instructions would be issued by the DPE to the PSEs in this regard.

Public Sector Dearness Allowance Scheme**Salient Features**

- A. All India Consumer Price Index number for industrial workers (general) based on 1960 = 100 (AICPI) is used for grant of compensation to the employees of PSEs for price rise.
- B. DA instalments would be released 4 times a year w.e.f. 1st January, 1st April, 1st July, and 1st October.
- C. DA would be paid for the increase in AICPI above quarterly index average of 1099 to which the revised scales of pay are related.
- D. The percentage increase in the quarterly average of the AICPI for the period ending February, May, August and November over index 1099 would be taken up to one decimal point.
- E. The rate of compensation of the employees of PSUs over the basic pay at index average of 1099 is also in whole numbers with fractions carried forward.
- F. The percentage neutralisation to employees in different pay ranges would be as under:

Pay Ranges -	Basic Pay	Neutralisation Percentage
	Upto Rs.3500	100*
	Rs.3501 - 6500	75
	Rs.6501 - 9500	60
	Rs.9501 and above	50

*Subject to a minimum of Rs2/- per point shift in AICPI quarterly average beyond 1099 w.e.f. 1.1.1992.

Foot Note - I

Quarterly averages would be computed in the following manner:

Quarterly Averages	Payable from
September, October and November	1st January
December, January and February	1st April
March, April & May	1st July
June, July and August	1st October

Foot Note: II

The quarterly average of AICPI for the months of September, October and November, 1991 worked out to 1099 and the DA under the IDA scheme at the admissible rates payable from 1.1.1992 is being merged in the basic pay. DA admissible under the new formula evolved for the public sector employees would be NIL on 1.1.1992. The first instalment of DA would become due from 1.4.1992.

STATEMENT SHOWING ILLUSTRATION – COMPENSATION TO BE WORKED OUT UNDER PERCENTAGE DA SCHEME				
	Basic pay upto Rs.3500/-pm	Basic pay above Rs.3500/- pm and upto Rs.6500/-pm	Basic pay above Rs.6500/- pm and upto Rs.9500/-pm	Basic pay above Rs.9500/-pm
% Neutralisation	100	75	60	50
Qtrly. Arithmetic average to which related	1099	1099	1099	1099
Qtrly Average of AICPI ending Feb. 1992 – payable from 1.4.92 (1121 points)	2% of pay subject to a minimum of Rs.44/-	1.5% of pay subject to a minimum of Rs.70/-	1.2% of pay subject to a minimum of Rs.98/-	1% of pay subject to a minimum of Rs.114/-
Qtrly Average of AICPI ending May 1992 – payable from 1.7.92 (1141 points)	3.8% of pay subject to a minimum of Rs.84/-	2.8% of pay subject to a minimum of Rs.134/-	2.3% of pay subject to a minimum of Rs.182/-	1.9% of pay subject to a minimum of Rs.219/-
Qtrly Average of AICPI ending Aug. 1992 – payable from 1.10.92 (1183 points)	7.6% of pay subject to a minimum of Rs.168/-	5.7% of pay subject to a minimum of Rs.266/-	4.6% of pay subject to a minimum of Rs.371/-	3.8% of pay subject to a minimum of Rs.437/-
Qtrly Average of AICPI ending Nov. 1992 – payable from 1.1.93 (1202 points)	9.4% of pay subject to a minimum of Rs.206/-	7% of pay subject to a minimum of Rs.329/-	5.6% of pay subject to a minimum of Rs.455/-	4.7% of pay subject to a minimum of Rs.532/-
Qtrly Average of AICPI ending Feb. 1993 – payable from 1.4.93 (1193 points)	8.5% of pay subject to a minimum of Rs. 188/-	6.4 % of pay subject to a minimum of Rs. 298/-	5.1% of pay subject to a minimum of Rs. 416/-	2% of pay subject to a minimum of Rs. 485/-
Qtrly Average of AICPI ending May 1993 – payable from 1.7.93 (1207 points)	9.8% of pay subject to a minimum of Rs. 216/-	7.3% of pay subject to a minimum of Rs.343/-	5.9% of pay subject to a minimum of Rs.475/-	4.9% of pay subject to a minimum of Rs. 561
Qtrly Average of AICPI ending Aug. 1993 – payable from 1.10.93 (1248 points)	13.5% of pay subject to a minimum of Rs. 298/-	10.1% of pay subject to a minimum of Rs. 473/-	8.1% of pay subject to a minimum of Rs. 657/-	6.7% of pay subject to a minimum of Rs. 770/-
Qtrly Average of AICPI ending Nov. 1993 – payable from 1.1.94 (1292 points)	17.6% of pay subject to a minimum of Rs. 386/-	13.2% of pay subject to a minimum of Rs. 616/-	10.6% of pay subject to a minimum of Rs. 858/-	8.8% of pay subject to a minimum of Rs. 1007/-

	Basic pay upto Rs.3500/-pm	Basic pay above Rs.3500/- pm and upto Rs.6500/-pm	Basic pay above Rs.6500/- pm and upto Rs.9500/-pm	Basic pay above Rs.9500/-pm
Qtrly Average of AICPI ending Feb. 1994 – payable from 1.4.94 (1302 points)	18.5% of pay subject to a minimum of Rs. 406/-	13.9% of pay subject to a minimum of Rs. 648/-	11.1% of pay subject to a minimum of Rs. 904/-	9.2% of pay subject to a minimum of Rs. 1055/-
Qtrly Average of AICPI ending May 1994 – payable from 1.7.94 (1328 points)	20.8% of pay subject to a minimum of Rs. 458/-	15.6% of pay subject to a minimum of Rs. 728/-	12.5% of pay subject to a minimum of Rs. 1014/-	10.4% of pay subject to a minimum of Rs. 1188/-
Qtrly Average of AICPI ending Aug. 1994 – payable from 1.10.94 (1384 points)	25.9% of pay subject to a minimum of Rs. 570/-	19.4% of pay subject to a minimum of Rs. 907/-	15.5% of pay subject to a minimum of Rs. 1261/-	12.9% of pay subject to a minimum of Rs. 1473/-
Qtrly Average of AICPI ending Nov. 1994 – payable from 1.1.95 (1427 points)	29.8% of pay subject to a minimum of Rs. 656/-	22.3% of pay subject to a minimum of Rs. 1043/-	17.9% of pay subject to a minimum of Rs. 1450/-	14.9% of pay subject to a minimum of Rs. 1701/-
Qtrly Average of AICPI ending Feb. 1995 – payable from 1.4.95 (1429 points)	30% of pay subject to a minimum of Rs. 660/-	22.5% of pay subject to a minimum of Rs. 1050/-	18% of pay subject to a minimum of Rs. 1463/-	15% of pay subject to a minimum of Rs. 1710/-

ANNEXURE III

Subject : Payment of HRA to the employees of Central PSEs and leasing of residential accommodation for Chief Executives, Functional Directors and key officials and recovery of rent thereof etc.

The Committee of Secretaries at their meeting held on 3.2.1992 approved the DPE's proposal for continued payment of HRA at the following rates:

Delhi, Bombay — 30% of Basic Pay

Other "A" class cities — 25% of Basic Pay

B1, B2 class cities — 15% of Basic Pay

"C" class and other — 10% of Basic Pay

unclassified areas

Payment of HRA at the above rates would, however, be subject to the proviso that these employees/executives would have to bear 10% of their basic pay towards house rents. Payment would also be subject to their producing the cash receipt from their landlords/valuation certificate issued by the Municipal Authority in respect of the house occupied by them. The rates indicated above are in the nature of ceilings. If some PSEs have agreed to pay HRA at the rates which are either high or lower than the norms indicated above under the

subsisting wage settlement/understanding arrived at with the unionised staff, non-unionised supervisors and the executives their cases need not be re-opened during the period of validity of the wage settlement/period of understanding with the unionised and non-unionised staff. However, the ceilings on payment of HRA as spelt out above should be incorporated in all further wage settlements/pay revisions for the executives as per the overall pay/wage package. The quantum of HRA paid to an executive or an employee in terms of the existing wage settlement/officers pay revision understanding could be protected as personal to the individual employee if the quantum of HRA worked out on the basis of the revised norms results in lower payment to the individual.

HRA without Production of Rent Receipt: The ceilings for payment of HRA without production of rent receipt for the executives and non-unionised supervisors following IDA pattern would stand revised w.e.f.1.4.1994 as follows :

S.No.	City	IDA PSEs		CDA PSEs Rs.Existing
		(Rs.) Proposed	(Rs.) Existing	
1.	Delhi, Bombay	1500	1000	1250
2.	Other "A" class cities	1500	1000	1000
3.	"B1", "B2" class cities	1500	1000	680
4.	"C" class cities	750	500	340
5.	Unclassified areas	450	300	310

There would be no increase in the ceilings for the payment of HRA without production of rent receipt for employees who continue on CDA pattern.

Ceiling for Leased Accommodation: The monetary ceilings for leased accommodation set out in para (iv) and (v) of para 4 of the DPE's OM dated 3.3.92, which had been worked out with relation to the pre-revised scales of pay would stand revised as per details given in the following table:

Revised monetary ceiling for leased accommodation in respect of executives holding posts at the Board Level as well as executives holding posts below the Board Level w.e.f.1.4.1994

Ceiling for leased accommodation for the executives of Board Level

Scale of Pay	Plinth Area	REVISED CEILINGS				
		A Class Cities			B Class Cities	C Class Cities
		Delhi Bombay	Calcutta Madras	Other A Class		
Rs.	Sq.FT	Rs.	Rs.	Rs.	Rs.	Rs.
13000-15000	1900	10500	9750	9000	8250	6750
12000-14000	1900	9800	9100	8400	7700	6300
10000-12000	1700	8400	7800	7200	6600	5400
9000-10500	1700	7400	6900	6300	5800	4800

**PROCEDURE FOR APPROVAL AND ADOPTION OF NEW SCALES OF PAY ON
THE IDA PATTERN BY PSEs**

Profit making PSEs loss making PSEs and PSEs before BIFR:

Public sector Enterprises are considered as 'State' under the Provisions of article 12 of the Constitution of India. Both the Supreme Court and the various High Courts have been given directions in the recent past either for restoration of parity in the scales of pay in one PSE with that of another PSE or removal of anomalies. In order to avoid further litigation, it has, therefore, been proposed that the scales of pay of the incumbents of the top posts, executives holding posts below the Board level and non-unionised supervisors would be similar in all PSEs irrespective of profit or loss made by them. Unlike, workers, executives and the Board Members are answerable and accountable to the Government as owners of the PSEs and hence their entitlements require clearance by the Government at least in the case of loss making and BIFR cases etc. and for any deviation. The following procedure would be adopted:

- a. PSEs which have been making profit consistently for the last 3 years viz. 1991-92, 1992-93 and 1993-94:- These PSEs would be allowed to adopt the scales of pay for the executives holding posts below the Board level and non-unionised supervisors as given in Annexure -I
- b. PSEs which did not make profit during the last 3 years:- PSEs which did not make profit during last 3 years viz, 1991-1992, 1992-93 and 1993-94 or had incurred net loss during any of these financial years would also be allowed to adopt these scales of pay of their executives holding posts below the Board level and non-unionised supervisors with the approval of the Government i.e. the administrative ministry acting in consultation with the DPE, provided they give an estimate as to how resources would be generated by them to meet the extra expenditure.
- c. Sick PSEs:- Sick Industrial Companies (Special Provisions) Act, 1985 has been amended and the PSEs have been brought within its purview. So far 50 PSEs have been registered with the BIFR. Having regard to the new developments, it is suggested that the PSEs which have been referred to BIFR would not be allowed the benefit of revised scales of pay - for their Board level executives, executives holding posts below the Board level and non-unionised supervisors - unless and until the verdict of the BIFR is available. Where BIFR has ordered closure of the PSEs, action would be expedited to pay the compensation as per the provisions of the Act and close down the PSEs. Wherever revival plan for a PSE has been approved by the BIFR, proposals for adopting revised scales of pay for Board level executive holding posts at below the Board level and non-unionised supervisors as well as the new DA formula w.e.f.1.1.1992 would be required to be submitted by these PSEs to the Government for appropriate approval by the administrative ministry acting in consultation with the DPE provided they, give an analysis of their wage bill and also spell out measures to mobilise resources to meet the extra burden.
- d. PSEs under construction or new PSEs: Eight PSEs are under construction. Some PSEs have been created by merger of existing establishment e.g. Power Grid Corporation of India. These PSEs should submit their proposals for adoption of revised scales of pay and DA pattern for their executives holding posts at the Board level, below Board level and non-unionised supervisors to their administrative ministries for appropriate approval in consultation with the DPE, giving details of their likely date of going on commercial production, etc.

- e. Where matters are subjudice:- As per Supreme Court's directions dated 3.5.90 and 28.8.91, employees/executives appointed on or after 1.1.87 in the 69 PSEs which hitherto followed CDA pattern have been placed on IDA pattern and related scales of pay to be prescribed by Government in its discretion. The executive associations of some other PSEs which have approached various High Courts/Supreme Court for review of the directions of the Supreme Court and for permission to draw salary as per HPPC's scales of pay and DA pattern. The revised scales of pay and the new DA formula which is being notified for all other PSEs could also be opted by them at their own volition. These scales of pay and DA system would not be applicable to DTC as they have secured an Order from the Supreme Court to continue on the Government scale and DA pattern.
- f. The conditions prescribed for wage negotiations of unionised workers in DPE's OM's dated 12.4.93 and 17.1.94 should be fulfilled for the above pay revisions.
- g. DPE will issue detailed instructions, wherever necessary, regarding the matters dealt with in the Note.

ANNEXURE-V

Draft Directive to be issued by the administrative Ministries/Departments to the Central Public Sector Enterprises under their administrative control regarding pay revision and other benefits for Board level executives.

The scale of pay of the incumbents of the Board level executives were last revised by the Government w.e.f. 1.1.87. Government have now decided that the pay revision and other benefits for Board level executives w.e.f. 1.1.92 may be implemented through Presidential Directives.

2. In exercise of the powers conferred by Article _____ of Articles* of Association of _____ / *Section _____ of the _____ Act setting up _____ (Name of the PSE), the President is pleased to direct the _____ (name of PSE) that the proposed pay revision and other benefits for Board level executives w.e.f. 1.1.92 may be implemented.

*Delete whichever is not applicable.

(DPE O.M. No.2(50)/86-DPE (WC) dated 19th July, 1995)

8. Pay Revision of the Central Public Sector employees following CDA pattern in 69 Public Sector Enterprises.

On the recommendations of High Power Pay Committee and the Hon'ble Supreme Court's judgement dated 3.5.90, DPE had issued O.M. No. 2(43)/90-DPE(WC) dated 12.6.90 implementing the Central Government pay scales to the employees of Public Sector Enterprises following CDA pattern. Consequent to the issue of notification dated 30.9.97 by the Department of Expenditure, Ministry of Finance on the revision of pay scales of the Central Government employees w.e.f. 1.1.96, the pay scales in respect of the public sector employees following CDA pattern in 69 public sector enterprises would also be revised w.e.f. 1.1.96 as per the judgement of the Hon'ble Supreme Court dated 3.5.90 on the recommendations of the High Power Pay Committee.

2. The pay scales of the Public Sector employees following CDA pattern will be revised w.e.f. 1.1.96 as per Annexure-1 (copy enclosed). The Compensatory (City) Allowance will be revised w.e.f. 1.8.97 and Dearness Allowance rate will be revised effective from 1.7.96, 1.1.97 and 1.7.97 as per Annexures-II & III (copies enclosed). Orders in connection with the revision of other allowances will be issued separately.

3. All administrative Ministries/Departments of the Govt. of India are requested to bring the foregoing to the notice of public enterprises, who are following CDA pattern for their information and necessary action.

ANNEXURE-I

Notification dated the 30th September, 1997 of Ministry of Finance (Department of Expenditure), New Delhi.

G.S.R. 569 (E)—In exercise of the powers conferred by the proviso to Article 309, and Clause (5) of Article 148 of the Constitution and after consultation with the Comptroller and Auditor General in relation to persons serving in the Indian Audit and Accounts Department, the President hereby makes the following rules, namely:—

1. **Short title and commencement** – (1) These rules may be called the Central Civil Services (Revised Pay) Rules, 1997.

(2) They shall be deemed to have come into force on the 1st day of January, 1996.

2. **Categories of Government servants to whom the rules apply** :— (1) Save as otherwise provided by or under these rules, these rules shall apply to persons appointed to civil services and posts in connection with the affairs of the Union whose pay is debitable to the Civil Estimates as also to persons serving in the Indian Audit and Accounts Department.

(2) These rules shall not apply to :—

- (a) persons appointed to the Central Civil Services and posts in Group ‘A’, ‘B’, ‘C’ and ‘D’ under the administrative control of the Administrator of the Union Territory of Chandigarh;
- (b) persons locally recruited for service or Diplomatic, Consular or other Indian establishments in foreign countries;
- (c) persons not in whole-time employment;
- (d) persons paid out of contingencies;
- (e) persons paid otherwise than on a monthly basis including those paid only on a piece-rate basis;
- (f) persons employed on contract except where the contract provides otherwise;
- (g) persons re-employed in Government service after retirement;
- (h) any other class or category of persons whom the President may, by order, specifically exclude from the operation of all or any of the provisions contained in these rules.

3. **Definitions** – In these rules, unless the context otherwise requires –

- (1) “Basic pay” means pay drawn in the prescribed scale of pay, including stagnation increment(s), but does not include any other type of pay like ‘special pay’, ‘personal pay’, etc.
- (2) Existing scale in relation to a Government servant means the present scale applicable to the post held by the Government servant (or, as the case may be, personal scale applicable to him) as on the 1st day of January, 1996 whether in a substantive or officiating capacity.

Explanation : In the case of a Government servant, who was on the 1st day of January, 1996 on deputation out of India or on leave or on foreign service, or who would have on that date officiated in one or more lower posts but for his officiating in a higher post, “existing scale” includes the scale applicable to the post which

he would have held but for his being on deputation out of India or on leave or on foreign service or, as the case may be, but for his officiating in a higher post;

- (3) “Present scale”, in relation to any post/grade specified in column 2 of the first schedule means the scale of pay specified against that post in column 3 thereof;
- (4) “Revised emoluments” means the basic pay of a Government servant in the revised scale and includes the revised non-practising allowance, if any, admissible to him, in addition to pay in the revised scale.
- (5) “Revised scale” in relation to any post specified in column 2 of the First Schedule means the scale of pay specified against that post in column 4 thereof unless a different revised scale is notified separately for that post;
- (6) “Schedule” means a schedule annexed to these rules.

4. **Scale of pay of posts** – The scale of pay of every post/grade specified in column 2 of the First Schedule shall be as specified against it in column 4 thereof.

5. **Drawal of pay in the revised scales** – Save as otherwise provided in these rules, a Government servant shall draw pay in the revised scale applicable to the post to which he is appointed:

Provided that a Government servant may elect to continue to draw pay in the existing scale until the date on which he earns his next or any subsequent increment in the existing scale or until he vacates his post or ceases to draw pay in that scale.

Explanation 1. – The option to retain the existing scale under the proviso to this rule shall be admissible only in respect of one existing scale.

Explanation 2. – The aforesaid option shall not be admissible to any person appointed to a post on or after the 1st day of January, 1996, whether for the first time in Government service, or by transfer on promotion from another post and he shall be allowed pay only in the revised scale.

Explanation 3. – Where a Government servant exercises the option under the proviso to this rule to retain the existing scale in respect of a post held by him in an officiating capacity on a regular basis for the purpose of regulation of pay in that scale under Fundamental Rule 22, or any other Rule or order applicable to that post, his substantive pay shall be the substantive pay which he would have drawn had he retained the existing scale in respect of the permanent post on which he holds a lien or would have held a lien had his lien not been suspended or the pay of the officiating post which has acquired the character of substantive pay in accordance with any order for the time being in force, whichever is higher.

6. **Exercise of Option** –

- (1) The option under the proviso to rule 5 shall be exercised in writing in the form appended to the Second Schedule so as to reach the authority mentioned in sub rule (2) within three months of the date of publication of these rules or where an existing scale has been revised by any order made subsequent to that date, within three months of the date of such order.

Provided that –

- (i) In the case of a Government servant who is, on the date of such publication or, as the case may be, date of such order, out of India on leave or deputation or foreign service or active service, the said option shall be exercised in writing so as to reach the said authority within three months of the date of his taking charge of his post in India; and

(ii) Where a Government servant is under suspension on the 1st day of January, 1996, the option may be exercised within three months of the date of his return to his duty if that date is later than the date prescribed in this sub-rule.

- (2) The option shall be intimated by the Government servant to the Head of his Office.
- (3) If the intimation regarding option is not received within the time mentioned in sub-rule (1), the Government servant will be deemed to have elected to be governed by the revised scale of pay with effect on and from the 1st day of January, 1996.
- (4) The option once exercised shall be final.

Note 1. – Persons whose services were terminated on or after the 1st January, 1996 and who could not exercise the option within the prescribed time limit, on account of death, discharge on the expiry of the sanctioned posts, resignation, dismissal or discharge or disciplinary grounds, are entitled to the benefits of this rule.

Note 2. – Persons who have died on or after the 1st day of January, 1996 and could not exercise the option within the prescribed time limit be deemed to have opted for the revised scales on and from the 1st day of January, 1996 or such later date as is most beneficial to their dependents, if the revised scales are more favourable and in such cases, necessary action for payment of arrears should be taken by the Head of Office.

7. Fixation of initial pay in the revised scale :—

- (1) The initial pay of a Government servant who elects, or is deemed to have elected under sub-rule (3) of rule 6 to be governed by the revised scale on and from the 1st day of January, 1996, shall, unless in any case the President by special order otherwise directs, be fixed separately in respect of his substantive pay in the permanent post on which he holds a lien or would have held a lien if it had not been suspended, and in respect of his pay in the officiating post held by him, in the following manner, namely :—

(A) in the case of all employees –

- (i) an amount representing 40 per cent of the basic pay in the existing scale shall be added to the ‘existing emoluments’ of the employee;
- (ii) after the existing emoluments have been so increased, the pay shall thereafter be fixed in the revised scale at the stage next above the amount thus computed.

Provided that –

- (a) if the minimum of the revised scale is more than the amount so arrived at, the pay shall be fixed at the minimum of the revised scale;
- (b) if the amount so arrived at is more than the maximum of the revised scale, the pay shall be fixed at the maximum of that scale.

Provided further that –

Where in the fixation of pay, the pay of Government servants drawing pay at more than four consecutive stages in an existing scale gets bunched, that is to say, gets fixed in the revised scale at the same stage, the pay in the revised scale of such of these Government servants who are drawing pay beyond the first four consecutive stages in the existing scale shall be stepped up to the stage where such bunching occurs, as under, by the grant of increment(s) in the revised scale in the following manner, namely;

- (a) for Government servants drawing pay from the 5th up to the 8th stage in the existing scale – by one increment.
- (b) for Government servants drawing pay from the 9th up to the 12th stage in the existing scale, if there is bunching beyond the 8th stage – by two increments
- (c) for Govt. Servants drawing pay from the 13th up to the 16th stage in the existing scale, if there is bunching beyond the 12th stage – by three increments

If by stepping up of the pay as above, the pay of a Government servant gets fixed at a stage in the revised scale which is higher than the stage in the revised scale at which the pay of a Government servant who was drawing pay at the next higher stage or stages in the same existing scale is fixed, the pay of the latter shall also be stepped up only to the extent by which it falls short of that of the former.

Provided also that –

The fixation thus made shall ensure that every employee will get atleast one increment in the revised scale of pay for every three increments [inclusive of stagnation increment(s), if any] in the existing scale of pay.

Explanation – For the purpose of this clause “existing emoluments” shall include,

- (a) the basic pay in the existing scale;
- (b) dearness allowance appropriate to the basic pay admissible at index average 1510 (1960=100); and
- (c) the amounts of first and second installment of interim relief admissible on the basic pay in the existing scale;
- (B) in the case of employees who are in receipt of special pay/allowance in addition to pay in the existing scale which has been recommended for replacement by a scale of pay without any special pay/allowance, pay shall be fixed in the revised scale in accordance with the provisions of clause (A) above except that in such cases “existing emoluments” shall include –
 - (a) the basic pay in the existing scale;
 - (b) existing amount of special pay/allowance;
 - (c) admissible dearness allowance at index average 1510 (1960=100) under the relevant orders; and
 - (d) the amounts of first and second installments of interim relief admissible on the basic pay in the existing scale and special pay under the relevant orders;
- (C) in the case of employees who are in receipt of special pay component with any other nomenclature in addition to pay in the existing scales, such as personal pay for promoting small family norms, special pay to Parliament Assistants, Central (Deputation on Tenure) Allowance, etc., and in whose case the same has been replaced in the revised scale with corresponding allowance/pay at the same rate or at a different rate, the pay in the revised scale shall be fixed in accordance with the provisions of clause (A) above. In such cases the allowance at the new rate as recommended shall be drawn in addition to pay in the revised scale of pay;

- (D) in the case of medical officers who are in receipt of non-practising allowance, the pay in the revised scale shall be fixed in accordance with the provisions of clause (A) above except that in such cases the term “existing emoluments” shall not include NPA and will comprise only the following –
- (a) the basic pay in the existing scale;
 - (b) dearness allowance appropriate to the basic pay and non-practising allowance admissible at index average 1510 (1960=100) under the relevant orders; and
 - (c) the amounts of first and second installments of interim relief admissible on the basic pay in the existing scale and non-practising allowance under the relevant orders.

and in such cases, non-practising allowance at the new rates shall be drawn in addition to the pay so fixed in the revised scale.

Note 1 – The Government servants drawing pay up to the stage of Rs. 1030 in the existing scale of Rs. 775-12-871-14-955-15-1030-20-1150 shall be fixed in S-2 scale of pay and those drawing pay beyond the stage of Rs. 1030 shall be fixed in S-3 scale of pay.

Note 2 – Where the increment of a Government servant falls on 1st day of January, 1996, he shall have option to draw the increment in the existing scale or the revised scale.

Note 3 – Where a Government servant is on leave on the 1st day of January, 1996, he shall become entitled to pay in the revised scale of pay from the date he joins duty. In case of Government servant under suspension, he shall continue to draw subsistence allowance based on existing scale of pay and his pay in the revised scale of pay will be subject to final order on the pending disciplinary proceedings.

Note 4 – Where a Government servant is holding a permanent post and is officiating in a higher post on a regular basis and the scales applicable to these two posts are merged into one scale, the pay shall be fixed under this sub-rule with reference to the officiating post only, and the pay so fixed shall be treated as substantive pay.

The provisions of this Note shall apply, mutatis mutandis, to Government servants holding in an officiating capacity posts on different existing scales which have been replaced by a single revised scale.

Note 5 – Where the existing emoluments as calculated in accordance with clause (A), clause (B), clause (C) or clause (D), as the case may be, exceed the revised emoluments in the case of any Government servant, the difference shall be allowed as personal pay to be absorbed in future increases in pay.

Note 6 – Where in the fixation of pay under sub-rule (1), pay, of a Government servant, who, in the existing scale was drawing immediately before the 1st day of January, 1996 more pay than another Government servant junior to him in the same cadre, gets fixed in the revised scale at a stage lower than that of such junior, his pay shall be stepped up to the same stage in the revised scale as that of the junior.

Note 7 – Where a Government servant is in receipt of personal pay on the 1st day of January, 1996, which together with his existing emoluments as calculated in accordance with clause (A), clause (B), clause (C), or clause (D), as the case may be, exceeds the revised emoluments, then, the difference representing such excess shall be allowed to such Government servant as personal pay to be absorbed in future increases in pay.

Note 8 – In the case of employees who are in receipt of personal pay for passing Hindi Pragya, Hindi Typewriting, Hindi Shorthand and such other examinations under the “Hindi Teaching Scheme”, or on successfully undergoing training in cash and accounts matters prior to the 1st day of January, 1996, while

the personal pay shall not be taken into account for purposes of fixation of initial pay in the revised scales, they would continue to draw personal pay after fixation of their pay in the revised scale on and from the 1st day of January, 1996, or subsequently for the period for which they would have drawn it but for the fixation of their pay in the revised scale. The quantum of such personal pay would be paid at the appropriate rate of increment in the revised scale from the date of fixation of pay for the period for which the employee would have continued to draw it.

Explanation – For the purpose of this Note, “appropriate rate of increment in the revised scale” means the amount of increment admissible at and immediately beyond the stage at which the pay of the employee is fixed in the revised scale.

Note 9 – In cases, where a senior Government servant promoted to a higher post before the 1st day of January, 1996 draws less pay in the revised scale than his junior who is promoted to the higher post on or after the 1st day of January, 1996, the pay of the senior Government servant should be stepped up to an amount equal to the pay as fixed for his junior in that higher post. The stepping up should be done with effect from the date of promotion of the junior Government servant subject to the fulfillment of the following conditions, namely :—

- (a) both the junior and the senior Government servants should belong to the same cadre and the posts in which they have been promoted should be identical in the same cadre.
- (b) the pre-revised and revised scales of pay of the lower and higher posts in which they are entitled to draw pay should be identical.
- (c) the senior Government servants at the time of promotion have been drawing equal or more pay than the junior.
- (d) The anomaly should be directly as a result of the application of the provisions of Fundamental Rule 22 or any other rule or order regulating pay fixation on such promotion in the revised scale. If even in the lower post, the junior officer was drawing more pay in the pre-revised scale than the senior by virtue of any advance increments granted to him, provision of this Note need not be invoked to step up the pay of the senior officer.

The order relating to re-fixation of the pay of the senior officer in accordance with the above provisions should be issued under Fundamental Rule 27 and the senior officer will be entitled to the next increment on completion of his required qualifying service with effect from the date of re-fixation of pay.

(2) Subject to the provisions of rule 5, if the pay as fixed in the officiating post under sub-rule (1) is lower than the pay fixed in the substantive post, the former shall be fixed at the stage next above the substantive pay.

8. ***Date of increment in the revised scale*** – The next increment of a Government servant whose pay has been fixed in the revised scale in accordance with sub-rule (1) of rule 7 shall be granted on the date he would have drawn his increment, had he continued in the existing scale:

Provided that in cases where the pay of a Government servant is stepped up in terms of Note 6 or Note 9 to sub-rule (1) and also second proviso to sub-rule (1) of rule 7, the next increment shall be granted on the completion of qualifying service of twelve months from the date of the stepping up of the pay in the revised scale.

Provided further that in cases other than those covered by the preceding proviso, the next increment of a Government servant, whose pay is fixed on the 1st day of January, 1996 at the same stage as the one fixed for

another Government servant junior to him in the same cadre and drawing pay at a lower stage than his in the existing scale, shall be granted on the same date as admissible to his junior, if the date of increment of the junior happens to be earlier.

Provided also that in the case of persons who had been drawing maximum of the existing scale for more than a year as on the 1st day of January, 1996, next increment in the revised scale shall be allowed on the 1st day of January, 1996.

Note 1 – In cases where two existing scales, one being a promotional scale for the other, are merged, and the junior Government servant, now drawing his pay at equal or lower stage in the lower scale of pay, and happens to draw more pay in the revised scale than the pay of the senior Government servant in the existing higher scale, the pay of the senior government servant in the revised scale shall be stepped up to that of his junior from the same date and he shall draw next increment after completing the qualifying period from the date of such stepping up of pay.

9. ***Fixation of pay in the revised scale subsequent to the 1st day of January, 1996*** – Where a Government servant continues to draw his pay in the existing scale and is brought over to revised scale from a date later than the 1st day of January 1996, his pay from the later date in the revised scale shall be fixed under Fundamental Rules and for this purpose his pay in the existing scale shall have the same meaning as of existing emoluments as calculated in accordance with clause (A), clause (B), clause (C) or clause (D), as the case may be, of sub-rule (1) of rule 7 except that the basic pay to be taken into account for calculation of those emoluments will be the basic pay on the later date aforesaid and where the Government servant is in receipt of special pay or non-practising allowance, his pay shall be fixed after deducting from those emoluments an amount equal to the special pay or non-practising allowance, as the case may be, at the revised rates appropriate to the emoluments so calculated.

10. ***Fixation of pay on reappointment after the 1st day of January, 1996 to a post held prior to that date*** – A Government servant who had officiated in a post prior to the 1st day of January, 1996 but was not holding that post on that date and who on subsequent appointment to that post draws pay in the revised scale of pay shall be allowed the benefit of the proviso to Fundamental Rule 22, to the extent it would have been admissible had he been holding that post on the 1st day of January, 1996 and had elected the revised scale of pay on and from that date.

11. ***Mode of payment of arrears of pay*** – The arrears would be paid in cash with the stipulation that where the amount of arrears is less than Rs. 5000, it should be paid in one installment and where it is in excess of Rs. 5000, it should be paid in two installments; in the first installment payment should be restricted to Rs. 5000 plus fifty percent of the balance amount of arrears.

Explanation – For the purposes of this rule:

- (a) “arrears of pay”, in relation to a Government servant, means the difference between:–
 - (i) the aggregate of the pay and allowances to which he is entitled on account of the revision of his pay and allowances under these rules, for the relevant period; and
 - (ii) the aggregate of the pay and allowances to which he would have been entitled (whether such pay and allowances had been received or not) for that period had his pay and allowances not been so revised.
- (b) “relevant period” means the period commencing on the 1st day of January, 1996 and ending with the 30th September, 1997.

12. **Overriding effect of Rules** – The provisions of the Fundamental Rules, the Central Civil Services (Revision of Pay) Rules, 1947, the Central Civil Services (Revised Pay) Rules, 1960, the Central Civil Services (Revised Pay) Rules, 1973 and the Central Civil Services (Revised Pay) Rules, 1986, shall not, save as otherwise provided in these rules, apply to cases where pay is regulated under these rules, to the extent they are inconsistent with these rules.

13. **Power to relax** – Where the President is satisfied that the operation of all or any of the provisions of these rules causes undue hardship in any particular case, he may, by order, dispense with or relax the requirements of that rule to such extent and subject to such conditions as he may consider necessary for dealing with the case in a just and equitable manner.

14. **Interpretation** – If any question arises relating to the interpretation of any of the provisions of these rules, it shall be referred to the Central Government for decisions.

Notification in reference to DPE OM No. 2(42)/97-DPE(WC) dated 24.10.1997 regarding pay revision of the CPSE employees following CDA pattern.

Revised scales for posts carrying present scales in Group 'A', 'B', 'C' & 'D' except posts for which different revised scales are notified separately.

Sl. No.	Post/Grade	Present Scale (Rs.)	Revised scale (Rs.)
1.	S-1	750-12-870-14-940	2550-55-2660-60-3200
2.	S-2	775-12-871-14-1025	2610-60-3150-65-3540
3.	S-3	800-15-1010-20-1150	2650-65-3300-70-4000
4.	S-4	825-15-900-20-1200	2750-70-3800-75-4400
5.	S-5	950-20-1150-25-1400 950-20-1150-25-1500 1150-25-1500	3050-75-3950-80-4590
6.	S-6	975-25-1150-30-1540 975-25-1150-30-1660	3200-85-4900
7.	S-7	1200-30-1440-30-1800 1200-30-1560-40-2040 1320-30-1560-40-2040	4000-100-6000
8.	S-8	1350-30-1440-40-1800-50-2200 1400-40-1800-50-2300	4500-125-7000
9.	S-9	1400-40-1600-50-2300-60-2600 1600-50-2300-60-2660	5000-150-8000
10.	S-10	1640-60-2600-75-2900	5500-175-9000
11.	S-11	2000-60-2120	6500-200-6900
12.	S-12	2000-60-2300-75-3200 2000-60-2300-75-3200-3500	6500-200-10500
13.	S-13	2375-75-3200-100-3500 2375-75-3200-100-3500-125-3750	7450-225-11500
14.	S-14	2500-4000 (proposed new pre-revised scale)	7500-250-12000
15.	S-15	2200-75-2800-100-4000 2300-100-2800	8000-275-13500

Sl. No.	Post/Grade	Present Scale (Rs.)	Revised scale (Rs.)
16.	S-16	2630/- fixed	9000/- fixed
17.	S-17	2630-75-2780	9000-275-9550
18.	S-18	3150-100-3350	10325-325-10975
19	S-19	3000-125-3625 3000-100-3500-125-4500 3000-100-3500-125-5000	10000-325-15200
20	S-20	3200-100-3700-125-4700	10650-325-15850
21	S-21	3700-150-4450 3700-125-4700-150-5000	12000-375-16500
22	S-22	3950-125-4700-150-5000	12750-375-16500
23	S-23	3700-125-4950-150-5700	12000-375-18000
24	S-24	4100-125-4850-150-5300 4500-150-5700	14300-400-18300
25	S-25	4800-150-5700	15100-400-18300
26.	S-26	5100-150-5700 5100-150-6150 5100-150-5700-200-6300	16400-450-20000
27	S-27	5100-150-6300-200-6700	16400-450-20900
28	S-28	4500-150-5700-200-7300	14300-450-22400
29	S-29	5900-200-6700 5900-200-7300	18400-500-22400
30	S-30	7300-100-7600	22400-525-24500
31	S-31	7300-200-7500-250-8000	22400-600-26000
32	S-32	7600/-fixed 7600-100-8000	24050-650-26000
33	S-33	8000/- fixed	26000/- fixed
34	S-34	9000/- fixed	30000/- fixed

REVISED PAY SCALES FOR CERTAIN COMMON CATEGORIES OF STAFF

The revised scales of pay mentioned in Column 4 of this part of the Notification for the posts mentioned in column 2 have been approved by the Government. However, it may be noted that in certain cases of the scales of pay mentioned in column 4, the recommendations of the Pay Commission are subject to fulfillment of specific conditions. These conditions relate inter-alia to changes in recruitment rules, restructuring of cadres, re-distribution of posts into higher grades etc. Therefore, in those cases where conditions such as changes in recruitment rules etc. which are brought out by the Pay Commission as the rationale for the grant of these upgraded scales, it will be necessary for the Ministries to decide upon such issues and agree to the changes suggested by the Pay Commission before applying these scales to these posts w.e.f. 1.1.96. In certain other cases where there are conditions prescribed by the Pay Commission as pre-requisite for grant of these scales to certain posts such as cadre restructuring, redistribution of posts etc. It will be necessary for the Ministries/Departments concerned to not only accept these preconditions but also to implement them

before the scales are applied to those posts. It would, therefore, be seen that it is implicit in the recommendations of the Pay Commission that such scales necessarily have to take prospective effect and the concerned posts will be governed by the normal replacement scales until then.

Sl. No.	Posts	Present Scale (Rs.)	Revised Scale (Rs.)	Paragraph No. of Report
1.	2.	3.	4.	5.
I.	<u>OFFICE STAFF WORKING IN ORGANISATIONS OUTSIDE THE SECRETARIAT</u>			
(a)	Assistant	1400-40-1800-50-2300	5000-150-8000	46.9
(b)	Head Clerks	1400-40-1800-50-2300 1350-30-1440-40-1800-50-2200	5000-150-8000	46.10
(c)	Office Superintendent level II	1400-40-1800-50-2300	5000-150-8000	46.10
(d)	Office Superintendent level I	1600-50-2300-60-2660	5500-175-9000	46.11
(e)	Office Superintendent level	1600-50-2300-60-2660	5500-175-9000	46.11
(f)	Administrative Officer	2375-75-3200-100-3500	7500-250-12000	46.13
(g)	Upper Division Clerk	1200-30-1540-40-2040 with special pay of Rs.70 per month	5000-150-8000 without special pay	46.17
(h)	Stenographer Gr. II	1400-40-1800-50-2300 1400-40-1600-50-2300-60-2600	5000-150-8000	46.34
II.	<u>CANTEEN STAFF</u>			
(a)	Bearer Tea/Coffee Maker	750-12-870-14-940	2610-60-3150-65-3540	55.22
(b)	Cook Assistant Halwai	825-15-900-20-1200	3050-75-3950-80-4590	55.22
(c)	Junior Clerks (Coupon, Kitchen, Sales, Office, Accounts etc.	825-15-900-20-1200	3050-75-3950-80-4590	55.22
(d)	Manager Gr.I	1350-30-1440-40-1800-50-2200	5000-150-8000	55.22
III.	<u>EDITORIAL STAFF</u>			
(a)	Sub Editor	1400-40-1600-50-2300-60-2600 1400-40-1800-50-2300	5500-175-9000	55.59
IV.	<u>LIBRARY STAFF</u>			
(a)	Senior Library Attendant	800-15-1010-1150	2750-70-3800-75-4400	55.170
(b)	Librarian	1400-40-1600-50-2300-60-2600	5500-175-9000	55.177
(c)	Librarian Senior Scale	1640-60-2600-75-2900	6500-200-10500	55.177
(d)	Librarian Selection Grade	2000-60-2300-75-3200-100-3500	7500-250-12000	55.177

1.	2.	3.	4.	5.
V.	<u>STORE KEEPING STAFF</u>			
(a)	Posts in the scale of pay of	1350-30-1440-40-1800-50-2200 1400-40-1800-50-2300	5000-150-8000	55.249(g)
VI.	<u>TELEPHONE OPERATORS</u>			
(a)	Posts in the scale of pay of	1400-40-1800-50-2300	5000-150-8000	55.272
VII.	<u>TEACHING STAFF</u>			
(a)	Primary School Teacher			
	Entry Scale	1200-30-1560-40-2040	4500-125-7000	55.259
	Senior Scale	1400-40-1600-50-2300-60-2600	5000-150-8000	55.259
	Selection Scale	1640-60-2600-75-2900	5500-175-9000	55.259
(b)	Trained Graduate Teacher/Head Master, Primary School			
	Entry Scale	1400-40-1600-50-2300-60-2600	5500-175-9000	55.259
	Senior Scale	1640-60-2600-75-2900	6500-200-10500	55.259
	Selection Scale	2000-60-2300-75-3200-100-3500	7500-250-12000	55.259
(c)	Post Graduate Teacher/Head Master, Middle School			
	Entry Scale	1640-60-2600-75-2900	6500-200-10500	55.259
	Senior Scale	2000-60-2300-75-3200-100-3500	7500-250-12000	55.259
	Selection Scale	2200-75-2800-100-4000	8000-275-13500	55.259
(d)	Vice Principal/Head Master, Secondary School			
	Entry Scale	2000-60-2300-75-3200-100-3500	7500-250-12000	55.259
VIII.	<u>GR.'A' ENGINEERING SERVICES</u>			
(a)	Suptdg. Engineer	3700-125-4700-150-5000	14300-400-18300	50.45
(b)	Exe. Engineer	300-100-3500-125-4500	10000-325-15200 12000-375-16500 (Non-functional JAG)	50.45
IX.	<u>SUBORDINATE ENGINEERING CADRE</u>			
(a)	Diploma Engineers	1400-40-1800-50-2300 1600-50-2300-60-2660 1640-60-2600-75-2900 2000-60-2300-75-3200 2000-60-2300-75-3200-100-3500 2375-75-3200-100-3500 2375-75-3200-100-3500-125-3750	5000-150-8000 5500-175-9000 5500-175-9000 6500-200-10500 6500-200-10500 7450-225-11500 7500-250-12000	50.23 & 50.24 50.23 & 50.24 50.23 & 50.24 50.23 & 50.24
X.	<u>DRAWING OFFICE STAFF</u>			
(a)	Draftsman Gr. II/Sr. Draftsman	1400-40-1800-50-2300	5000-150-8000	50.37
(b)	Draftsman Gr. I/Head Draftsman	1600-50-2300-60-2660	5500-175-9000	50.37

1.	2.	3.	4.	5.
(c)	Graduate Engineers recruited against posts of drawing/design Office in Subordinate Engg. cadres	1400-40-1800-50-2300 1600-50-2300-60-2660 2000-60-2300-75-3200	6500-200-10500	50.37
XI.	<u>LABORATORY STAFF</u>			
1.	Laboratory Technician	1320-30-1560-EB-40-2040	4500-125-7000	55.149
MEDICAL AND PARAMEDICAL SERVICES				
XII.	<u>INDIAN SYSTEM OF MEDICINE AND HOMEOPATHY (ISM&H)</u>			
(a)	Starting pay scale for all posts requiring medical practice in ISM&H and a degree in ISM&H as the minimum qualification		8000-275-13500	52.33
XIII.	<u>CLINICAL PSYCHOLOGISTS</u>			
(a)	All posts of Clinical Psychologists requiring minimum qualification of MA/M.Sc (Psychology) and not DM&SP)	1640-60-2600-EB-75 -2900/2000-60-2300-EB 75-3200-100-3500/2200- -75-2800-EB-100-4000	8000-275-13500	52.46
(b)	All posts requiring MA/M.Sc (Psychology) but not DM&SP	1640-60-2600-EB-75-2900	5500-175-9000	52.46
XIV.	<u>DIETICIANS</u>			
(a)	Assistant Dietician	1400-40-1800-EB-50-2300	5500-175-9000	52.52
(b)	Dietician	1640-60-2600-EB-75-2900	6500-200-10500	52.52
(c)	Senior Dietician	2000-60-2300-EB-75-3200-100-3500	8000-275-13500	52.52
(d)	Chief Dietician	2375-75-3200-100-3500	10000-325-15200	52.52
XV.	<u>NURSING STAFF</u>			
(a)	Deputy Nursing Superintendent	2000-60-2300-EB-75-3200-100-3500	7500-250-12000	52.58
XVI.	<u>PUBLIC HEALTH NURSES</u>			
(a)	Auxilliary Nurse Midwives	975-25-1150-EB-30-1540	4000-100-6000	52.72
(b)	Lady Health Visitors	1200-30-1560-EB-40-2040	4500-125-7000	52.72
XVII.	<u>OPERATION THEATRE TECHNICAL STAFF</u>			
(a)	O.T. Technician	1200-30-1560-EB-40-2040	5000-150-8000	52.78
XVIII.	<u>PHARMACISTS</u>			
(a)	Pharmacists possessing entry qualification of diploma in Pharmacy		4500-125-7000	52.90
XIX.	<u>PHYSIOTHERAPISTS AND OCCUPATIONAL THERAPISTS</u>			
(a)	Physiotherapist/ Occupational Therapist	1400-40-1800-EB-50-2300	5500-175-9000	52.96
(b)	Sr. Physiotherapist/ Sr. Occupational Therapist	2375-75-3200-EB-100-3500	8000-275-13500	52.96

1.	2.	3.	4.	5.
XX. PUBLIC AND SOCIAL HEALTH WORKERS				
(a)	Medical Social Worker (holding qualification of Post Graduation or Graduation with 2 years diploma in Social Work)	1600-50-2300-EB-2660	5500-175-9000	52.103
(b)	Social Worker/ Psychiatric Worker (holding qualification of Post Graduation or Graduation with 2 years diploma in Social Work)	1400-40-1800-EB- 50-2300	5500-175-9000	52.103
(c)	Welfare Officer (Grade II)/Probation Officer (Grade II)/ Prison Welfare Officer	1400-40-1600-50-2300 -EB-60-2600	5500-175-9000	104.65
XXI. RADIOGRAPHERS/X-RAY TECHNICIANS				
(a)	Radiographer	1350-30-1440-40-1800-EB-50-2200	5000-150-8000	52.107
(b)	Radiographers requiring a minimum of 2 years diploma/certificate after 10+2		4000-100-6000	52.107
XXII. OTHER TECHNICIANS				
(a)	Posts requiring Matriculation with some experience as minimum qualification for direct recruitment		4000-100-6000	52.111
(b)	Technicians with either a Degree in Science or Diploma in Engineering		5000-150-8000	52.111
XXIII. GARDENERS AND NURSERY WORKERS				
(a)	Sr. Garden Attendant	775-12-871-14-1025	2650-65-3300-70-4500	55.129
(b)	Asstt. Foreman	825-15-900-20-1200	3050-75-3950-80-4590	55.129
XXIV. VETERINARY STAFF				
(a)	Entry grade for all posts requiring a degree of B.V.Sc. and Animal Husbandry with registration in the Veterinary Council of India as the minimum essential qualification		8000-275-13500	55.291
(b)	Assistant Veterinarian/ Biological Assistant/ Zoological Assistant/ possessing B.Sc. Degree in Biological Sciences	1200-30-1560-40- 2040/1400-40-1800-50 -2300/1600-50-2300-60-2660	5000-150-8000	55.296

1.	2.	3.	4.	5.
(c)	Stockman/Compounder/ Stock Asstt./Animal Husbandry Asstt/ Dresser	950-20-1150-25-1500 to 1200-30-1560-40-2040	4000-100-6000	55.296
(d)	Para Veterinary Attendant including Animal Attendant/ Bull Attendant/Cattle Attendant/ Syce/Camel Attendant/Shepherds with minimum qualification of 8th class +2 years experience of handling animals	750-12-870-14-940	2610-60-3150-65-3540	55.296
XXV. TECHNICAL SUPERVISORS & WORKSHOP STAFF				
(a)	Chargeman/Chargeman 'B'/ Chargeman (Technical) Grade II/ Jr. Engineer Grade II (Workshop)	1400-40-1800-50-2300	5000-150-8000	54.38
(b)	Sr. Chargeman/ Chargeman 'A'/ Chargeman (Technical) Grade I/ Jr. Engineer Grade I Workshop	1600-50-2300-60-2660	5500-175-9000	54.38
XXVI. ELECTRONIC DATA PROCESSING STAFF				
(a)	Data Entry Operator Grade 'A'	1150-25-1500	4000-100-6000	55.71
(b)	Data Entry Operator Grade 'C'	1400-40-1800-EB-50-2300	5000-150-8000	55.71
(c)	Data Entry Operator Grade 'D'/Junior Console Operator/ Data Processing Assistant 'A'/ Scientific Assistant 'A'	1600-50-2300-EB-60-2660	5500-175-9000	55.71
(d)	Programmer/ System Analyst	2375-75-3200-EB-100-3500-125-3750	7500-250-12000	55.71
XXVII. PHOTOGRAPHERS AND CAMERAMEN				
(a)	Senior Photographer	1600-50-2300-60-2660	5000-150-8000 5500-175-9000	55.189
(b)	Chief Photographer	1640-60-2600-75-2900	6500-200-10500	55.189
(c)	Photographer Gr. I	1200-30-1560-40-2040	4500-125-7000	55.189
(d)	Photographer Gr. II	950-20-1150-25-1500	4000-100-6000	55.189
<p style="text-align: center;">Form of Option</p> <p style="text-align: center;">[See Rule 6(I)]</p> <p>*(i) I _____ hereby elect the revised scale with effect from 1st January, 1996.</p> <p>*(ii) I _____ hereby elect to continue on the existing scale of pay of my substantive/officiating post mentioned below until:</p> <p>*the date of my next increment</p>				

The date of my subsequent increment raising my pay to Rs.

I vacate or cease to draw pay in the existing scale

Existing Scale _____

Signature _____

Name _____

Designation _____

Office to which employed _____

Date :

Station:

* To be scored out if not applicable

MEMORANDUM EXPLANATORY TO THE CENTRAL CIVIL SERVICES (REVISED PAY)
RULES, 1997

Rule 1: This rule is self-explanatory

Rule 2: This rule lays down the categories of employees to whom the rules apply. Except for the categories excluded under clause (2), the rules are applicable to all persons under the rule making control of the President serving in Departments paid from Civil Estimates. They do not apply to the employees under the Ministry of Railways and Civilian personnel paid from Defence Services Estimates, for whom separate rules will be issued by the Agents in the Department of Posts and Department of Telecommunications. The rules, however, apply to work charged establishments.

Rule 3: This rule is self-explanatory.

Rule 4: The recommendations of the Commission on pay scales for certain categories/class of employees of the Central Government, including Union Territories, have given rise to representations from other categories of employees on the ground of upsetting the existing relativities and parities. In all such cases, where the recommendation is for upgradation of pay scales for individual categories of posts in a Department or cadre otherwise than by rationalization of pay scales, for the present the normal replacement pay scales for the existing scales of pay as shown in part A of the First Schedule shall be allowed. Separate orders in such cases will be issued subsequently.

Rule 5: The intention is that all Government servants should be brought over to the revised scale except those who elect to draw pay in the existing scales. Those who exercise the option to continue on the existing scales of pay will continue to draw the dearness allowance and interim reliefs at the rates in force on the 1st January, 1996 and the dearness allowance will count towards the emoluments for pension, etc. to the extent it so counted on the said date. If a Government servant is holding a permanent post in a substantive capacity and officiating in a higher post, or would have officiated in one or more posts but for his being on

deputation etc., he has the option to retain the existing scale only in respect of one scale. Such a Government servant may retain the existing scale applicable to a permanent post or any one of the officiating posts. In respect of the remaining posts he will necessarily have to be brought over to the revised scales.

Rule 6: This rule prescribes the manner in which option has to be exercised and also the authority who should be apprised of such option. The option has to be exercised in the appropriate form appended to the rules. It should be noted that it is not sufficient for a Government servant to exercise the option within the specified time limit but also to ensure that it reaches the prescribed authority within the time limit. In the case of persons who are outside India at the time these rules are promulgated, the period within which the option has to be exercised is three months from the date they take over charge of the post in India. In the case of Government servants the revised scales of whose posts are announced subsequent to the date of issue of these rules, the period of three months will run from the date of such announcement.

Persons who have retired between 1st January, 1996 and the date of issue of these rules are also eligible to exercise option.

Rule 7(1) : This rule deals with the actual fixation of pay in the existing scales on 1st January, 1996. A few illustrations indicating the manner in which pay of Government servants should be fixed under this sub-rule subject to stepping up of pay under Notes below rule 7(1) are given below:

Illustration I:

1.	Existing Scale of Pay	Rs.750-12-870-14-940
2.	Proposed Scale of Pay	Rs. 2550-55-2660-60-3200
3.	Existing Pay	Rs. 786
4.	DA as on 1.1.96 (at index level 1510)	Rs. 1163
5.	1st Instal. of I.R.	Rs. 100
6.	2nd Instal. of I.R @ 10% of basic pay subject to min. of Rs.100	Rs. 100 —————
7.	Existing emoluments	Rs. 2149
8.	Add 40% of basic pay	Rs. 314
	Total	Rs. 2463
9.	Stage next above in the proposed scale including benefit of bunching, if admissible (minimum)	Rs. 2550
10.	If 1 increment is ensured in the proposed scale for every 3 increments in the existing scale, the stage of pay in the proposed scale	Rs. 2605
11.	Pay to be fixed in the proposed scale (stage of pay at Sl.No.9 or 10 whichever is higher)	Rs. 2605

Illustration II:

1.	Existing Scale of pay	Rs. 1640-60-2600-75-2900
2.	Proposed Scale of Pay	Rs. 5500-175-9000
3.	Existing Pay	Rs. 2360
4.	DA as on 1.1.96 (at index level 1510)	Rs. 3493
5.	1st Instal. of I.R.	Rs.100

6.	2nd Instal. of I.R @ 10% of basic pay subject to min. of Rs.100	Rs.236
7.	Existing emoluments	Rs. 6189
8.	Add 40% of basic pay	Rs. 944
	Total	Rs. 7133
9.	Stage next above in the proposed scale including benefit of bunching, if admissible	Rs. 7250
10.	If 1 increment is ensured in the proposed scale for every 3 increments in the existing scale, the stage of pay in the proposed scale	Rs. 6200
11.	Pay to be fixed in the proposed scale (stage of pay at Sl.No.9 or 10 whichever is higher)	Rs. 7250

Illustration III:

1.	Existing Scale of pay	Rs.4500-150-5700
2.	Proposed Scale of Pay	Rs.14300-400-18300
3.	Existing Pay	Rs. 5400
4.	DA as on 1.1.96 (at index level 1510)	Rs. 5994
5.	1st Instal. of I.R.	Rs. 100
6.	2nd Instal. of I.R @ 10% of basic pay subject to min. of Rs.100	Rs. 540
7.	Existing emoluments	Rs. 12034
8.	Add 40% of basic pay	Rs. 2160
	Total	Rs.14194
9.	Stage next above in the proposed scale including benefit of bunching, if admissible	Rs. 14700
10.	If 1 increment is ensured in the proposed scale for every 3 increments in the existing scale, the stage of pay in the proposed scale	Rs.15100 (two increments for 6 increments in the existing scale)
11.	Pay to be fixed in the proposed scale (stage of pay at Sl.No.9 or 10 whichever is higher)	Rs. 15100

Rule 7(2) – The benefit of this rule is not admissible in cases where a Government servant has elected the revised scale in respect of his substantive post, but has retained the existing scale in respect of an officiating post.

Rule 8 – This rule prescribes the manner in which the next increment in the new scale should be regulated. The provisos to this rule are intended to eliminate the anomalies of junior Government servants drawing more pay than their senior by the operation of substantive part of this rule and also taking care of the Government servants who have been drawing pay at the maximum of the existing scale for more than one year as on 1.1.1996 and also those Government servants who have been stagnating at the maximum of the existing scale and are actually in receipt of stagnation increment on ad hoc basis.

Rule 9 to 14 - These rules are self-explanatory.

ANNEXURE-II

Copy of Ministry of Finance, Department of Expenditure's O.M No. 2(30)/97-E.II (B) dated 03-10-97.

Subject:- Recommendations of the Fifth Pay Commission Decisions of Government relating to grant of Compensatory City Allowance to Central Government employees.

The undersigned is directed to say that, consequent upon the decisions taken by the Government on the recommendations of the Fifth Pay Commission relating to the above mentioned allowances vide this Ministry's Resolution No. 50(1)/IC/97 dated 30.9.1997, the President is pleased to decide that in modification of this Ministry's O.M No. F2(37)/E II (B)/64 dated 27.11.1965 as amended from time to time, Compensatory (City) Allowance to Central Government employees shall be admissible at the following rates:-

COMPENSATORY (CITY) ALLOWANCE:

Pay Range (Basic Pay)	Amount of CCA in class of cities (Rs. Per month)			
	A-1	A	B-1	B-2
Below Rs.3000 p.m	90	65	45	25
Rs. 3000 p.m to Rs. 4499 p.m	125	95	65	35
Rs.4500 p.m to Rs. 5999 p.m	200	150	100	65
Rs. 6000 p.m. and above	300	240	180	120

2. The list of cities/towns classified as A-1, A, B-1 and B-2 for the purpose of CCA is enclosed (page 24).

3. The cities/towns, which have been placed in a lower classification, in the above mentioned list, as compared to their existing classification, shall continue to retain the existing classification until further orders and Central Government employees working therein will be entitled to draw the rates of CCA accordingly.

4. The special orders relating to grant of CCA in localities as listed in para 3 of this Ministry's O.M No. 2(2)/93 E II(B) dated 14.05.1993 shall continue to be applicable.

5. Pay for the purpose of these orders, will be Pay drawn in the prescribed scale of pay, including stagnation increment(s) and non-practising allowance, but shall not include any other type(s) of pay like special pay or personal pay etc. In the case of those employees who opt to retain the existing scales of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under orders in existence on 1.1.1996.

6. All other conditions governing grant of CCA under existing orders shall continue to apply.

7. These orders shall be effective from 1.8.1997. For the period from 1.1.1996 to 31.7.1997, the above allowances will be drawn at the existing rates on the notional pay in the pre-revised scale.

8. These orders will apply to all civilian employees of the Central Government. The orders will also apply to the civilian employees paid from the Defence Services Estimates. In regard to Armed Forces Personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.

9. In so far as the persons serving in the Indian Audit & Accounts Department are concerned, this order issues in consultation with the Comptroller & Auditor General of India.

ANNEXURE				
LIST OF CITIES WHERE COMPENSATORY (CITY) ALLOWANCE IS ADMISSIBLE TO CENTRAL GOVERNMENT EMPLOYEES				
Name of State/ Union Territory	A-1	A	B-1	B-2
1.	2.	3.	4.	5.
Andhra Pradesh	- (UA)	Hyderabad	Visakhapatnam (UA)	Vijayawada (UA)
Assam	-	-	-	Guwahati City
Bihar	-	-	Patna (UA)	Dhanbad (UA)
				Ranchi (UA)
				Jamshedpur (UA)
Chandigarh	-	-	-	Chandigarh (UA)
Delhi	Delhi (UA)	-	-	-
Gujarat		Ahmedabad	Surat (UA) Vadodara (UA)	Rajkot (UA)
Haryana	-	-	-	Faridabad Complex
Karnataka	-	Bangalore (UA)	-	Hubli-Dharwad Mysore (UA)
Kerala	-	-	Kochi (UA)	Thiruvananthapuram (UA)
				Kozhikode (UA)
Madhya Pradesh	-	-	Bhopal Indore (UA)	Durg – Bhilai Nagar (UA)
				Gwalior (UA)
				Jabalpur (UA)
Maharashtra	Brihan Mumbai (UA)	Pune (UA)	Nagpur (UA)	Aurangabad (UA)
				Nashik (UA)
				Solapur (UA)
Punjab	-	-	Ludhiana	Amritsar
				Jalandhar
Rajasthan	-	-	Jaipur (UA)	Jodhpur
				Kota
Tamil Nadu	Chennai (UA)	-	Coimbatore (UA)	Salem(UA)
			Madurai (UA)	Tiruchirappalli (UA)
Uttar Pradesh	-	Kanpur (UA)	Lucknow (UA)	Meerut(UA)
			Varanasi (UA)	Bareilly (UA)
				Ghaziabad (UA)
				Gorakhpur
				Agra (UA)
				Allahabad (UA)
West Bengal	Calcutta (UA)	-	-	Asansol (UA)

Copy of Ministry of Finance, Department of Expenditure's O.M No. 1(13)/97-E.II (B) dated 03-10-97.

Subject:- Recommendations of the Fifth Pay Commission – Decisions of Government relating to grant of Dearness Allowance to Central Government servants – Revised rates effective from 1.7.1996, 1.1.1997 and 1.7.1997.

The undersigned is directed to say that consequent upon the decision taken by the Government on the recommendations of the Fifth Pay Commission relating to Dearness Allowance vide this Ministry's Resolution No. 50(1)/IC/97 dated 30.09.1997 and promulgation of CCS (Revised Pay) Rules 1997, the President is pleased to decide that the Dearness Allowance admissible to all categories of Central Government employees shall be admissible from the dates mentioned below at the following rates:-

Date from which payable Rate of Dearness Allowance per mensem

From 1.1.1996	No Dearness Allowance
From 1.7.1996	4% of Pay
From 1.1.1997	8% of Pay
From 1.7.1997	13% of Pay

2. The payment of Dearness Allowance under these orders from the dates indicated above shall be made after adjusting the instalments of Dearness Allowance already sanctioned and paid to Central Government employees w.e.f 1.1.96, 1.7.96 and 1.1.97 vide this Ministry's O.M No. 1(5)/96-E.II (B) dated 20.3.96. O.M No. 1(18)/96-E.II (B) dated 11.9.96 and O.M No. 1(8)/97-E.II (B) dated 3.4.97 respectively.

3. The term 'pay' for the purpose of calculation of Dearness Allowance shall be the pay drawn in the prescribed scale of pay, including stagnation increment(s) and non-practicising allowance, but shall not include any other type(s) of pay like special pay or personal pay, etc. In the case of those employees who opt to retain the existing scales of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under orders in existence on 1.1.1996.

4. The Dearness Allowance will continue to be a distinct element of remuneration and will not be treated as pay within the ambit of FR 9(21).

5. The payment on account of Dearness Allowance involving fractions of 50 paise and above may be rounded off to the next higher rupee and the fractions of less than 50 paise may be ignored.

6. These orders shall also apply to the Civilian employees paid from the Defence Services Estimates and the expenditure will be chargeable to the relevant Head of the Defence Services Estimates. In regard to Armed Forces Personnel and Railway employees separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.

7. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller and Auditor General of India.

(DPE O.M. No.2(42)/97-DPE(WC) dated 24th October, 1997)

8. Pay revision of the Central Public Sector employees following CDA pattern in 69 Public Sector Enterprises—Revision of allowances like HRA, Transport allowance, etc.

Reference is invited to Department of Public Enterprises OM of even number dated 24th October, 1997 vide which Government decision on pay revision of the public sector employees following CDA pattern along with Dearness Allowance and City Compensatory Allowance were communicated, consequent to the implementation of the recommendations of the Fifth Pay Commission for the Central government servants. It was mentioned therein that the Government orders on revision of other allowances will be issued separately.

2. Government have now decided to extend new/revised rates of other allowances i.e. HRA, Transport Allowance, Earned Leave and Leave Encashment, LTC, Maternity/Paternity Leave, etc., for the CDA pattern employees of PSEs as under.

- (i) **House Rent Allowance:** The HRA at amended rates would be applicable from 1.8.97 to the CDA pattern public sector employees subject to a minimum of what they had drawn on pre-revised scales. The details are given in Annexure-I.
- (ii) **Transport Allowance:** The new rates of Transport Allowance shall take effect from 1-8-97. The Transport Allowance will be on flat rates based on scale of pay, without making a distinction of the types of vehicles being used by the employees. Details are given in Annexure-II.
- (iii) **Earned Leave:** The CDA pattern employees may also have the benefit of 300 days accumulated Earned Leave with 150 days (50%) encashable and 150 days (50%) non-encashable in line with the HPPC recommendations w.e.f. 1-7-97 (Annexure-III).
- (iv) **Leave Travel Concession:** For travel under the Scheme of Leave Travel Concession, the orders shall take effect from 1st October, 1997. The entitlement to travel by the officers is given in Annexure-IV.
- (v) **Enhancement of quantum of maternity leave and to allow paternity leave:** The existing ceiling of 90 days maternity leave provided in Rule 43(1) *ibid* shall be enhanced to 135 days. Male Employee (including an apprentice) with less than two surviving children may also be granted paternity leave for a period of 15 days during the confinement of his wife. This will take effect from the date of issue of this Order. For details please see Annexure-V.

3. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of public sector enterprises, under their administrative control, who are following CDA pattern for their information and necessary action.

ANNEXURE-I

Copy of Ministry of Finance, Department of Expenditure's OM No.2(30)/97-E.11(B) dated 3.10.97

Sub: Recommendations of the Fifth Pay Commission—Decisions of Government relating to grant of House Rent Allowance to Central Government Employees.

The undersigned is directed to say that consequent upon the decisions taken by the Government on the recommendations of the Fifth Pay Commission relating to the above mentioned allowances vide this Ministry's Resolution No.50(1)/IC/97 dated 30.9.1997, the President is pleased to decide that in modification of this Ministry's OM No. F. 2(37)-E.II(B)/64 dated 27.11.65 as amended from time to time, House Rent Allowance to Central Government employees shall be admissible at the following rates:-

HOUSE RENT ALLOWANCE

Classification of cities/Towns	Rates of House Rent Allowance
A-1	30% of actual basic pay drawn
A	15% of actual basic pay drawn
B-1	
B-2	
C	7.5% of actual basic pay drawn
Unclassified	5% of actual basic pay drawn

2. The list of cities/towns classified as A-1, A, B-1, B-2 and C for the purpose of HRA is enclosed at Annexure 1 (A)
3. The cities/towns which have been placed in a lower classification in the above mentioned lists, as compared to their existing classification shall continue to retain the existing classification until further orders and the Central Government employees working therein will be entitled to draw the rates of HRA accordingly.
4. The special orders relating to grant of HRA in localities as listed in Paras 2 and 3 of this Ministry's OM No. 2(2)/93-E.II(B) dated 14.05.1993 shall continue to be applicable.
5. Pay for the purpose of these orders, will be Pay drawn in the prescribed scale of pay, including stagnation increment(s) and non-practicing allowance, but shall not include any other type(s) of pay like special pay or personal pay, etc. In the case of those employees who opt to retain the existing scales of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under orders in existence on 1.1.1996.
6. All other conditions governing grant of HRA under existing orders shall continue to apply.
7. These orders shall be effective from 1.8.1997. For the period from 1.1.1996 to 31.7.1997, the above allowances will be drawn at the existing rates on the notional pay in the pre-revised scale.
8. These orders will apply to all civilian employees of the Central Government. The orders will also apply to the civilian employees paid from the Defence Services Estimates. In regard to Armed Forces Personnel and Railway employees separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.
9. In so far as the persons serving in the Indian Audit & Accounts Department are concerned, this order issues in consultation with the Comptroller & Auditor-General of India.

ANNEXURE-I(A)

**LIST OF CITIES WHERE HOUSE RENT ALLOWANCE
IS ADMISSIBLE TO CENTRAL GOVERNMENT EMPLOYEES**

A-1	A	B-1	B-2	C
1	2	3	4	5
ANDHRA PRADESH				
-	Hyderabad	-	Visakhapatnam (UA), Vijayawada (UA)	Srikakulam, Vizianagram, Anakpalle, Kakinada (UA), Rajahmundry (UA), Narsapur, Palacole, Tadepalligudem, Tanuku, Eluru, Bimavaram, Gudivada, Machilipatnam, Bapatla, Chilakaluri-pet, Narsaraopet, Ponnuru, Tenali, Mangalagiri, Ongole (UA), Chirala (UA), Gudur, Kavali, Nellore, Madanapalle, Srikalashasti, Tirupati (UA), Chittoor, Cuddapah (UA), Proddatur, Dharmavaram, Kadi-ri, Tadipatri, Anantapur, Guntakal, Hindupur, Yemmiganur, Kurnool (UA), Adoni, Nandyal, Mahbubnagar, Sangareddy, Siddipet, Bodhan, Nizamabad, Adilabad,

1	2	3	4	5
				Bellampalle, Kagaznagar, Mancheriyal, Nirmal, Nagtial, Sircilla, Karimnagar, Ramagundam, Palwancha, Khammam (UA), Suryapet, Miryalaguda, Nalgonda, Kothagudem (UA), Guntur, Warangal (UA)
				ANDAMAN & NICOBAR ISLANDS
-	-	-	-	Port Blair
				ASSAM
-	-	-	Guwahati City	Dhubri, Tezpur, Jorhat (UA), Nagaon, Dibrugarh (UA), Tinsukia, Silchar, Karimganj
				BIHAR
-	-	-	Ranchi (UA) Patna (UA)	Mokameh, Bihar, Buxar, Arrah, Dehri, Sasaram, Jehendabad, Nawada, Gaya (UA), Chhapra, Bettiah, Bagaha, Motihari (UA), Muzaffarpur, Siwan, Hajipur, Barauni, Begusarai (UA), Darbhanga, Madhubani, Saharsa, Purnia (UA), Katihar, Jamalpur, Lakhisarai, Munger, Bhagalpur (UA), Deoghar (UA), Dhanbad (UA), Giridih, Phusro (UA), Jhumritilaiya, Hazaribagh, Ramgarh (UA), Saunda, Daltonganj, Chaibasa, Adityapur, Kishanganj, Bokaro Steel City (UA), Jamshedpur (UA).
				CHANDIGARH
-	-	-	Chandigarh (UA)	-
				DELHI
Delhi (UA)	-	-	-	-
				GOA
-	-	-	-	Margao (UA), Marmugao (UA)
				GUJARAT
-	Ahmedabad (UA)	Surat (UA) Vadodara (UA)	Rajkot (UA)	Jamnagar(UA), Upleta, Gondal (UA), Dhoraji (UA), Jetpur (UA), Morvi (UA), Dhrangadhra, Surendrangar, Botad, Mahuva (UA), Amreli (UA), Veraval, Keshod, Junagadh (UA), Anjar, Porbandar (UA), Gandhidham, Bhuj (UA), Deesa,

1	2	3	4	5
				<p>Palanpur (UA), Himatnagar, Unjha, Sidhpur (UA), Visnagar (UA), Kalol (UA), Mahesana (UA), Viramgam, Khambhat (UA), Nadiad (UA), Anand (UA), Dohad (UA), Godhra (UA), Dabhoi, Anklesvar (UA), Bharuch (UA), Navsari (UA), Valsad (UA), Gandhinagar, Patan (UA), (Under Distt. Mahesana), Petlad, Bhavnagar (UA), Savarkundla (UA)</p>
			HARYANA	
-	-	-	Faridabad Complex	<p>Panchkula Urban Estate, Ambala, (UA), Yamunagar (UA), Thanesar, Kaithal, Karnal (UA), Panipat, Sonipat, Bahadurgah (UA), Rohtak, Palwal, Gurgaon (UA), Rewari, Narnaul, Bhiwani, Jind, Hansi, Hisar (UA), Sirsa</p>
			HIMACHAL PRADESH	
-	-	-	-	Shimla (UA)
			KARNATAKA	
-	Bangalore (UA)	-	Hubli Dharwad	<p>Channapatna, Dodaballapur, Ramana-garam, Gokak, Nipani, Belgaum (UA), Bellary, Bidar (UA), Bagalkot, Rabkavi, Banhatti, Bijapur (UA), Chikmagalur, Chitradurga (UA), Davangere (UA), Mangalore (UA), Ranibennur, Gadag Batigeri, Gulbarga (UA), Hassan (UA), Chintamani, Kolar Gold Fields (UA), Kolar Mandya, Gangawati (UA), Raichur (UA), Bhadravati (UA), Shimoga (UA), Tumkur (UA), Dandeli, Karwar, Hospet, (UA), Harihar, Mysore (UA).</p>
			KERALA	
-	-	-	Thiruvananthapuram(UA) Cochi (UA)	<p>Kasargod, Kanhangad (UA), Payyannur, Vadakara (UA), Ponnani, Manjeri, Palakkad (UA), Thrissur (UA), Changanassery, Kottayam (UA), Alappuzha (UA), Thiruvalla, Kollam (UA), Taliparamba, Kannur (UA), Kayamkulam, Kozhikode (UA)</p>
			MADHYA PRADESH	
-	-	Indore (UA), Bhopal	Gwalior (UA), Jabalpur (UA)	<p>Morena, Bhind, Datia, Tikamgarh, Chhatarpur (UA), Sagar (UA), Damoh (UA), Satna (UA),</p>

1	2	3	4	5
				Guna, Mandsaur, Nagda, Ratlam (UA), Ujjain (UA), Dewas, Dhar, Khandwa, Barhanpur, Vidisha, Sehore (UA), Sarni, Betul (UA), Hoshangabad, Itarsi (UA), Murwara (Katni), Chhindwara (UA), Seoni, Balaghat (UA), Ambikapur (UA), Shivpuri, Dhamtari, Jagdalpur (UA), Mhow (UA), Khargone, Durg, Raigarh (UA), Jaora (UA), Rajanandgaon, Neemuch (UA), Rajharajharan Dalli, Raipur (UA).
			MAHARASHTRA	
Brihan Mumbai	-	Pune (UA) Nagpur (UA)	Nashik (UA) Solapur(UA) Aurangabad(UA)	Virar, Nalasopara, Bhiwandi (UA), Panvel, Ratnagiri, Manmad, Malegaon, Nandurbar, Dhule, Chalisgaon, Amalner, Bhusawal (UA), Jalgaon, Shrirampur (UA), Ahmednagar (UA), Satara, Karad, Sangli (UA), Barshi, Pandharpur, Ichalkaranji (UA), Jalna, Hingoli, Parbhani, Parli, Ambejogai, Bid, Nanded (UA), Osmanabad, Udgir, Latur, Buldana, Malkapur, Khamgaon, Akot, Akola, Achalpur, Pusad, Yavatmal (UA), Hinganghat, Wardha, Bhandara, Kamptee (UA), Gondiya, Ballarpur (UA), Chandrapur, Kolhapur (UA), Amravati
			MANIPUR	
-	-	-	-	Imphal (UA)
			MEGHALAYA	
-	-	-	-	Shillong (UA)
			MIZORAM	
-	-	-	-	Aizawl
			NAGALAND	
-	-	-	-	Kohima, Dimapur
			ORISSA	
-	-	-	-	Bargarh, Brajarajnagar, Jharsuguda, Sambhalpur (UA), Bhadrak, Baleshwar (UA), Balangir, Bhawanipatna, Jeypur, Sunabeda, Brahampur, Puri, Cuttack (UA), Bhubaneshwar
			PUNJAB	
-	-	Ludhiana	Amritsar, Jalandhar	Gurdaspur, Pathankot (UA), Batala (UA), Firozpur Cantt., Fazilka, Abohar, Khanna, Kapurthala, Phagwara (UA), Hoshiarpur,

1	2	3	4	5
				SAS Nagar (Mohali), Rajpura, Nabha, Patiala (UA), Maler Kotla, Sangrur, Firozpur, Barnala, Mansa, Bhatinda, Faridkot (UA), Kotkapura, Muktsar, Malout, Moga (UA)
			PONDICHERRY	
-	-	-	-	Pondicherry (UA), Karaikal, Oulgaret, Yanam (UA)
			RAJASTHAN	
-	-	Jaipur (UA)	Jodhpur, Kota	Hanumangarh, Ganga Nagar, Sardar Shahar, Ratangarh, Sujangarh, Bundi, Jhunjhunun, Nawalgarh, Alwar (UA), Bharatpur (UA), Dhaulpur, Hindaun, Gangapur City (UA), Sawai Madhopur (UA), Fatehpur, Sikar, Kishangarh, Beawar (UA), Nagaur, Makrana (UA), Pali, Barmer, Bhilwara, Udaipur, Chittorgarh, Tonk (UA), Baran, Banswara (UA), Churu (UA), Bikaner, Ajmer.
			TAMIL NADU	
-	Chennai (UA)	-	Coimbatore (UA), Madurai (UA), Salem, Tiruchirapalli (UA)	Chengalpattu, Kanchipuram (UA), Arakkonam, Ambur, Tiruppattur, Gudiyattam (UA), Vanyambadi (UA), Attur, Vellor (UA), Krishnagiri, Dharampuri, Arani, Tiruvannamalai, Tindivanam, Villupuram, Panruti, Vriddhachalam, Chidambaram (UA), Kuddalore, Neyveli (UA), Tiruchengudu, Kumarapalayara, Erode (UA), Udhamandalam, Mettupalaiyam, Udumalaipettai, Tiruppur (UA), Pollachi (UA), Palani (UA), Dindigul, Karur (UA), Mayiladuthurai, Mannargudi, Pattukkottai, Nagappattinam (UA), Kumbakonam (UA), Thanjavur, Pudukkottai, Karaikkudi (UA), Bodinayakanur, Kambam, Teni Allinagaram, Srivilliputtur, Virudungar, Aruppukkottai, Rajapalaiaam, Sivakasi (UA), Paramakkudi, Ramanathapuram, Kovilpatti, Tuticorin (UA), Puliyangudi, Kadaianallur, Tenkasi, Tirunelveli (UA), Nagercoil, Mettur, Valparai
			TRIPURA	
-	-	-	-	Agartala
			UTTAR PRADESH	
-	-	Lucknow	Meerut(UA),	Dehradun (UA), Kashipur, Rudrapur, Hal-

1	2	3	4	5
	(UA), Kanpur (UA)	Bareilly (UA) Allahabad(UA) Varanasi(UA), Agra (UA), Gorakhpur		dwani-cum-Kathgodam, Najibabad, Nagina Chandpur, Bijnore (UA), Chandausi, Sambal, Noida, Amroha, Rampur, Deoband, Saharanpur, Roorkee (UA), Hardwar (UA) Shamli, Kairana, Muzaffarnagar (UA) Baraut, Mawana, Pilkhwa, Hapur, Modinagar (UA), Khurja, Sikandrabad, Bulandshahr, Hatras, Mathura, Shikohabad, Firozabad (UA), Kasganj, Etah, Manipuri, Sahaswan, Badaun, Pilibhit, Unnao, Shahjahanpur (UA), Lakhimpur, Sitapur, Hardoi, Shahbad, Gangaghat (Sitt. Unnao), Raebareli, Kannaunj, Orai, Furrukhabad-cum-Fatehagarh (UA), Auraiya, Etawha, Jhansi (UA), Lalitpur, Mohaba, Banda, Fatehpur, Bela Pratapgarh, Behraich, Balrampur, Gonda, Nawabjanj, Tanda, Faizabad(UA) Sultanpur, Basti, Deoria, Maunath, Bhanjan, Azamgarh, Jaunpur, Ballia, Ghazipur, Bhadohi, Mugalasari (UA), Mirzapur-cum- Vindhyachal, Morabadad (UA), Ghaziabad (UA), Aligarh
WEST BENGAL				
Calcutta (UA)	-	-	-	Raiganj (UA), Jalpaigudi, lipurduar (UA), Darjeeling, Siliguri, Valurghat (UA), Habra (UA), English Bazar (UA), Jangipur, Bharampur (UA), Chakdaha, Krishnanagar, Nabadwip (UA), Santipur, Ranaghat (UA), Bangaon, Basirhat, Rajpur (UA), Contai, Medinipur, Haldia, Kharagpur (UA), Bishnupur. Bankura, Puruliya, Katwa, Asansol (UA), Raniganj (UA), Barddhaman, Suri, Bolpur, Koch-Bihar (UA), Chittaranjan, Debgram, Durgapur

ANNEXURE-II

Copy of Ministry of Finance, Department of Expenditure's Office Memorandum No.2(1)/97/E.II(B) dated 3rd October, 1997

Subject: Grant of Transport Allowance of Central Government employees.

The undersigned is directed to say that the 5th Central Pay Commission, vide paras 107.11 to 107.13 of Volume III of their Report, have recommended the grant of Transport Allowance to Central Government Employees to suitably compensate them for the cost incurred on account of commuting between the place of residence and the place of duty.

2. The matter has been considered and the Government have accepted the recommendation of the Commission, as announced vide this Ministry's Resolution No.50(1)/IC/97 dated 30.9.1997, the President

is, accordingly, pleased to decide that the Central Government employees shall be entitled to Transport Allowance at the following rates:-

Pay Scale of the Employee	Rate of Transport Allowance per month (in Rupees)	
	“A-1”/ “A” Class City	Other Places
1 Employees drawing pay in the scale of pay of Rs.8000-13500 or above	800	400
2 Employees drawing pay in the scale of Rs.6500-6900 or above but below the scale of Rs.8000-13500	400	200
3 Employees drawing pay below the scale of Rs.6500-6900	100	75

3. The grant of transport allowance under these orders shall be regulated according to and will be subject to the following conditions:

- (i) The cities referred to as “A” and “A-1” in these orders shall be the same as those classified as such for the purpose of Compensatory (City) Allowance (CCA) in terms of the orders issued separately regulating grant of CCA to the Central Government employees;
- (ii) The allowance shall not be admissible to those employees who are provided with Government accommodation within a distance of one kilometer or within a campus housing the places of work and residence.

Note: *The grant of the allowance under these orders would be subject to furnishing of a certificate by the employee that the Government accommodation is not located within one kilometer from the place of work of the concerned employee or within a campus housing the places of work and residence.*

- (iii) The allowance shall not be admissible to those employees who have been provided with the facility of Government transport.
- (iv) In case of employees who have opted to draw pay in the pre-revised scales of pay, the transport allowance shall be regulated in accordance with the revised scales of pay to which such employees would have been entitled to, had they opted to come over to revised scales.
- (v) In case of officers of the level of Joint Secretary and above, who have been provided with the facility of staff car for commuting between office and residence on prescribed payment basis under this Ministry’s OM No.20(5)-E.II(A)/93 dated 28.1.94 an option may be given to them either to avail themselves of the existing facility or to switch over to the payment of Transport Allowance, as admissible under these orders. In case they opt for the latter, they may be paid the Allowance at rates applicable to them, subject to the condition that the existing facility of staff car shall be withdrawn from the date they opt for the allowance. In case they opt for the former, the allowance shall not be admissible to them and they would not be required to make any payment for the facility of staff car between residence and office.
- (vi) In terms of this Ministry’s orders vide OM 19029/1/78.E.IV(B) dated 31.8.78, as amended from time to time, conveyance allowance is admissible to such of the Central Government employees borne on regular establishment (including work-charged staff) as are blind or are orthopaedically handicapped with disability of lower extremities. Consequent upon coming into force of these orders, such conveyance allowance shall be abolished and instead all such employees may now be paid transport allowance at double the normal rates prescribed under

these orders. In case, however, such handicapped employees have been provided with Government accommodation within a distance of one kilometer from the place of work or within a campus housing the places of work and residence, the allowance shall be admissible at normal rates as applicable under these orders. The allowance shall not be admissible in case such employees have been provided with the facility of Government transport.

- (vii) This allowance will not be admissible during absence from duty exceeding 30 days due to leave, training, tour, etc.

2. These orders shall take effect from 1.8.97.

3. In their application to the employees serving in the Indian Audit and Accounts Department, these orders issue in consultation with the Comptroller & Auditor General of India.

4. These orders shall also apply to the civilian employees paid from the Defence Services Estimates and expenditure will be chargeable to the relevant Head of the Defence Services Estimates. In regard to Armed Forces Personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, separately.

ANNEXRE-III

Copy of Ministry of Personnel, Public Grievances & Pensions, Department of Personnel & Training's Office Memorandum No.14028/7/97-Estt.(I) dated 7th October, 1997.

Sub.: Recommendations of the Fifth Central Pay Commission – Decisions relating to Enhancement of the ceiling on accumulation and encashment of Earned Leave in respect of Central Government employees.

The undersigned is directed to say that consequent upon the decisions taken by the Government on the recommendations of the Fifth Central Pay Commission relating to leave, the President is pleased to decide that the existing provisions of the Central Civil Services (Leave) Rules, 1972 may be modified as follows in respect of civilian employees of the Central Government:-

- (a) The existing ceiling of 240 days on accumulation of earned leave provided in Rules 26 & 28 *ibid* shall be enhanced to 300 days.
- (b) The existing ceiling of 240 days for availing of the benefit of encashment of unutilised earned leave shall be increased to 300 days in respect of the following categories:-
 - i. retirement on attaining the age of superannuation [Rule 39(2)];
 - ii. cases where the service of a Government servant has been extended, in the interest of public service, beyond the date of retirement on superannuation [Rule 39(4)];
 - iii. Voluntary/pre-mature retirement [Rule 39 (5)];
 - iv. Where the services of a Government servant are terminated by notice or by payment of pay & allowances in lieu of notice, or otherwise in accordance with the terms and conditions of his appointment [Rule 39(6)(a)(1)];
 - v. In the case of termination of re-employment after retirement [Rule 39(6)(a)(iii)];
 - vi. In the case of death of a Government servant while in service to the family of the deceased [Rule 39A];

- vii. In the case of leave preparatory to retirement [sub-rule (1) of Rule 38]
 - viii. In the case of transfer of a Government servant to an industrial establishment [Rule 6]; and
 - ix. On absorption of a Government servant in the Central Public Sector Undertaking/ autonomous body wholly or substantially owned or controlled by the Central/State Government [Rule 39-D]
- (c) A Government servant who resigns or quits service shall be entitled to cash equivalent in respect of earned leave at credit on the date of cessation of service, to the extent of half of such leave at his credit, subject to a maximum of 150 days [Rule 39(6)(a)(ii)]
2. The above orders shall take effect from 1st July, 1997.
3. The Fifth Pay Commission has also recommended that all employees may be permitted to encash 10 days earned leave at the time of availing of Leave Travel Concession, subject to the conditions that:-
- (a) the total leave so encashed during the entire career does not exceed 60 days in the aggregate;
 - (b) earned leave of at least an equivalent duration is also availed of simultaneously by the employee;
 - (c) a balance of at least 30 days of earned leave is still available to the credit of the employee after taking into account the period of encashment as well as leave; and
 - (d) the period of leave encashed shall be deducted from the quantum of leave that can be normally encashed by him at the time of superannuation.
- This recommendation has also been accepted by the Govt. and, accordingly, encashment of earned leave may be allowed by the Ministries/Departments subject to the prescribed conditions. The total encashment of Earned Leave allowed to a Government servant alongwith LTC while in service and as per the provisions of the Central Civil Services (Leave) Rules, 1972 should not exceed the maximum limit/ceiling of 300 days or 150 days, as the case may be.
4. The orders in paragraph 3 above shall take effect from the date of issue.
5. The orders as per paragraphs 1 to 4 above shall also apply to Government servants serving in Vacation Departments.
6. Formal amendments to the Central Civil Services (Leave) Rules, 1972, are being issued separately.
7. In so far as persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller & Auditor General of India.

ANNEXURE-IV

Copy of Ministry of Personnel, Public Grievances & Pensions, Department of Personnel & Training's Notification No.31011/7/97-Estt.(A) dated 20th October, 1997.

G.S.R. 602 (E) – In exercise of the powers conferred by the proviso to Article 309 and Clause (5) of Article 148 of the Constitution and in consultation with the Comptroller & Auditor General of India in regard to persons serving the Indian Audit and Accounts Department, the President hereby makes the following rules, namely:-

- (1) These rules may be called the Central Civil Services (Leave Travel Concession) First Amendment Rules, 1997.

(2) They shall come into force from 1st October, 1997.

(3) In Rule 4 at (d) the following shall be substituted as the definition of “Family”:-

“(d) “Family” means a Government Servant’s wife or husband, as the case may be, residing with the Government servant and two surviving children or step children residing with and wholly dependent upon the Government servant whose income from all sources does not exceed Rs.1500/- p.m. It includes in addition, parents, step mother, unmarried sisters, brothers and married daughters who have been divorced, abandoned or separated from their husbands, if residing with and wholly dependent upon the Government servant. Widowed sisters are also included, if residing with wholly dependent upon the Government servant (provided their father is either not alive or is himself dependent on the Government servant).

Note:- 1. The restriction of two surviving children as indicated above shall not apply in respect of existing children of a Government servant and a child born within one year of the restrictions coming into force and also in case of multiple births after one child.

Note:- 2. Not more than one wife is included in the term ‘family’ for the purpose of these rules.”

(4) In Rule 12 for existing sub-rule 1, the following shall be substituted:-

“(a) For travel under the Scheme of Leave Travel Concession, the entitlement shall be as under:-

Officers in the pay scales the Minimum of which is as under	Entitlements
Rs.18400/- and above	Air Economy (Y) Class by National Carrier or AC-1 Class by train at their option
Rs.12000/- and above but less than Rs.18400/-	AC-I Class by train
Rs.6500/- and above but less than Rs.12000/-	Ac-II Tier Sleeper
Rs.3050/- and above but less than Rs.6500/-	First Class/AC-III Tier
Below Rs.3050/-	Sleeper Class

ANNEXURE-V

Copy of Ministry of Personnel, P.G. & Pensions, Department of Personnel & Training’s Office Memorandum dated 7th October, 1997

Sub.: Recommendations of the Fifth Central Pay Commission relating to Enhancement of Quantum of Maternity Leave and to allow Paternity Leave in respect of Central Govt. Employees.

The undersigned is directed to say that consequent upon the decisions taken by the Govt. on the recommendations of the Fifth Central Pay Commission relating to Maternity Leave and Paternity Leave, the President is pleased to decide that the existing provisions of the Central Civil Services (Leave) Rules, 1972, may be treated as modified as follows in respect of civilian employees of the Central Govt.:-

- a) The existing ceiling of 90 days maternity leave provided in Rule 43(1) *ibid* shall be enhanced to 135 days.
- b) male Govt. servant (including an apprentice) with less than two surviving children may be granted Paternity leave for a period of 15 days during the confinement of his wife. During the period of such leave, he shall be paid leave salary equal to the pay drawn immediately before proceeding on leave. Paternity leave shall not be debited against the leave account and may be combined with any other kind of leave (as in the case of Maternity Leave). It may not normally be refused under any circumstances.

2. These orders take effect from the date of issue.
3. In the light of paragraph 2 above, a female Govt. servant in whose case the period of 90- days of Maternity Leave has not expired on the said date shall also be entitled to the Maternity Leave of 135 days. Similarly, Paternity Leave to a male Govt. employee may be allowed in case his wife had given birth to the child on a date not prior to 135 days from the date of issue of this order.
4. Formal amendments to the Central Civil Services (Leave) Rules, 1972, are being issued separately.
5. In so far as persons serving in the Indian Audit & Accounts Department are concerned, these Orders issue in consultation with the Comptroller & Auditor General of India.

(DPE O.M. No. 2(42)/97-DPE(WC) dated 4th March, 1998)

9. Pay Revision of the Central Public Sector employees following CDA pattern in 69 PSEs—Revision of rates of Non-Practising Allowances, etc.

In continuation of this Department's OM of even number dated 20th July, 1998 pay revision of the public sector employees following CDA pattern in 69 PSEs the undersigned is directed to convey that the Government have decided to extend the following benefits to the Central Public Sector employees following CDA pattern as contained in the OMs, mentioned below, which were made applicable to the Central Govt. employees based on the recommendations of the Fifth Central Pay Commission.

1. Revision of rates of Non- Practising Allowance attached to Medical Posts other than posts included in the CHS issued vide Ministry of Finance, Deptt. of Expenditure OM No.7(25)/E.III/(A)/97 dated 15.4.98 (copy enclosed).
2. Decisions relating to the grant of Children Education Assistance issued vide Ministry of Personnel, Public Grievances and Pensions (Deptt. of Personnel & Training) O.M. No.21017/1/97-Estt. (Allowances) dated 12.6.98 (copy enclosed).
3. Construction Projects – Grant of Project Allowance – Revision of rates issued vide Ministry of Finance, Deptt. of Expenditure OM No.6(6)/97/E-II(B) dated 1.4.1998 (copy enclosed).
4. Bad Climate/Unhealthy Locality Allowance – Recommendations of the Fifth Central Pay Commission – Revision of the Rates issued vide Ministry of Finance, Deptt. of Expenditure O.M. No.5(1)/97-E.II(B) dated 1.4.1998 (copy enclosed).

All administrative Ministries/Deptts. of the government of India are requested to bring the foregoing to the notice of public sector enterprises, under their administrative control, who are following CDA pattern for their information and necessary action.

Copy of Department of Expenditure's O.M.No.F.No.7(25)/E.III(A)/97 dated 15th April, 1998 regarding Revision of rates of Non-Practising Allowance attached to Medical Posts other than posts included in the CHS.

The undersigned is directed to invite a reference to this Ministry's OM No.F.7(90)E.III/89 dated 27.2.1990 wherein revised rates of Non-Practising Allowance for medical posts ranging from Rs.600 p.m. to Rs.1000 p.m. for different pay ranges were sanctioned. In para 52.16 of their Report, the Fifth Central Pay Commission has recommended that the present system of payment of the Non-Practising Allowance to doctors based on pay ranges may be dispensed with and this Allowance may instead be granted at a uniform

rate of 25 per cent of the basic pay subject to the condition that pay plus the Non-Practising Allowance does not exceed Rs.29,500. Government have considered and accepted this recommendation.

2. Accordingly, the President has been pleased to decide that the Non-Practising Allowance for medical posts other than those included in duly constituted Medical Services, such as the Central Health Services, would henceforth be paid at the rate of 25 per cent of the basic pay subject to the condition that pay plus the Non-Practising Allowance shall not exceed Rs.29,500/-. The revised rate would be effective from the date an employee draws pay in the revised scale applicable to him in accordance with the provisions of the Central Services (Revised Pay) Rules, 1997.

3. The Non-Practising Allowance at the revised rate would be admissible only in respect of those medical posts for which a medical qualification recognised under the Indian Medical Council Act, 1956 or under the Dentists Act, 1948 has been prescribed as an essential qualification and to which this Allowance is attached at present.

4. The Non-Practising Allowance will be treated as 'Pay' for all service matters as at present. In other words, the Allowance will be taken into account for computing Dearness Allowance, entitlements of Travelling Allowance and other allowances as well as for calculation of retirement benefits.

5. These orders will not be applicable in respect of medical posts under the Ministries of Railways and Defence and the Department of Atomic Energy for which separate orders will issue.

Copy of DOPT's OM No.21017/1/97-Estt.(Allowances) dated 12th June, 1998 regarding Recommendations of the V Pay Commission – Decisions relating to the grant of Children Educational Assistance.

The undersigned is directed to say that in pursuance of the decisions taken by the Government on the recommendations made by the Fifth Central Pay Commission in paras 113.3 to 113.6 of their Report, regarding Children Educational Assistance to Central Govt. employees, the President is pleased to decide that the following modifications in Central Civil Services (Educational Assistance) Orders, 1988 issued under this Department's O.M. No.21011/21/88-Estt. (Allowances) dated 17.10.1998, read with O.M.No.12011/4/88-Estt(AL) dated 31.5.89, No.12011/2/83-Estt.(AL) dated 27.12.89, No.21011/2/88-Estt.(AL) dated 3.8.90 and O.M. No.12013/1/90-Estt.(AL) dated 8.5.92 shall be made:-

Educational Assistance		Revised rate of payment/limit of reimbursement of fee
(i) Primary, Secondary, Hr. & Sr. Secondary Classes (I to XII)		
(a) Children Educational Allowance (Clause 16 of the Orders)	(a) Class I to X	Rs. 100/- p.m. per child
(b) Reimburse-ment of tuition Fee (Clauses 19 and 21 of the Orders)	(b) Class XI to XII	Rs. 40/- p.m. per child
(c) Hostel Subsidy (Clause 22 of the Orders)	(c) Class I to XII in respect of physically handicapped and mentally retarded children.	Rs. 50/- p.m. per child
	Science Fee, if charged separately, will be re-imburseable in addition to tuition fee	Rs.100/- p.m. per child
	in respect of children studying in class IX to XII and offering science subjects.	Rs. 10/- p.m. per child
	Primary, Secondary, Higher Secondary & Sr. Secondary Classes (I to XII)	Rs. 300/- p.m. per child.

- (ii) Clause 13 of the Central Civil Service (Educational Assistance) Orders, 1988 shall be revised as follows:-

“If a Government servant is transferred from a station where there is no school of the requisite standard to a station where there is such school and if he was in receipt of the allowance at the former station in respect of any child, he shall continue to remain eligible for such allowance as long as the child continues to study in the same school.”

- (iii) Re-imbursement of Tuition fee in case of physically handicapped/mentally retarded child of a Government servant shall be permitted even if the institution in which the child is studying is not recognised by the Central/State Govt. or Union Territory Administration, as the case may be.

2. These orders shall be effective from 1st August, 1997.
3. The other conditions as laid down in the Central Civil Service (Educational Assistance) Orders, 1998 and subsequent amendments/orders issued from time to time would continue to apply.
4. In so far as persons serving in the Indian Audit and Accounts Departments are concerned, these orders issue in consultation with the Comptroller and Auditor General of India.

Copy of Department of Expenditure's OM No.6(6)/97/E.II(B) dated 1st April, 1998 regarding Construction Projects-Grant of Project Allowance – Revision of Rates.

The undersigned is directed to say that consequent upon the decision taken by the Government on the recommendations of the Fifth Central Pay Commission, the President is pleased to decide that in modification of OM No.20011/5/73-E.IV(B) dated the 17th January, 1975 as amended from time to time on the subject mentioned above, the rates of Project Allowance shall be as follows:-

Pay Range (Basic Pay)	Rates of Project Allowance per month (Rs.)
Below Rs.3000/- p.m.	150
Rs.3000/- p.m. to Rs.4499/- p.m.	300
Rs.4500/- p.m. to Rs.5999/- p.m.	450
Rs.6000/- p.m. to Rs.8999/- p.m.	600
Rs.9000/- p.m. and above	750

2. Central Government employees of other Departments whose offices have been located in the project area not specifically for the work of project authorities shall be allowed Project Allowance at 50% of the above rates.
3. The term ‘pay’ for the purpose of Project Allowance shall be the pay drawn in the prescribed scale of pay, including stagnation increment(s) and non-practising allowance, but shall not include any other type(s) of pay like special pay or personal pay etc. In the case of those employees who opt to retain the existing scales of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under orders in existence on 1.1.1996.
4. Where the application of revised rates results in a monetary loss to an employee, who has been continuously drawing the allowance from a date prior to 1.8.1997 amount drawn by him immediately prior to that date will be protected by treating the difference between the allowance so drawn and that admissible at the revised rates as personal to him. The protection will continue till the employee remains posted in the said project area and becomes eligible to higher amount either on promotion or otherwise.

5. These orders will take effect from 1.8.1997. For the period from 1.1.96 to 31.7.97, the above allowance will be drawn at the existing rates on the notional pay in the pre-revised scale.
6. These orders will apply to all civilian employees of the Central Government including civilian employees paid from the Defence Services Estimates. In regard to Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.
7. In so far as persons serving in the Indian Audit & Accounts Department are concerned, these orders issue after consultation with the Comptroller & Auditor General of India.

Copy of Department of Expenditure's OM No.5(1)/97.E.II(B) dated 1st April, 1998 regarding Bad Climate/Unhealthy Locality Allowance—Recommendations of the Fifth Central Pay Commission—Revision of the rates.

The undersigned is directed to say that, consequent upon the decisions taken by the Government on the recommendations of the Fifth Central Pay Commission related to the above mentioned allowance, the President is pleased to decide that in modification of this Ministry's OM No.20012/2/73-E.IV dated 4.1.74 and No.20012/1/86.E.IV dated 23.9.86 as amended from time to time, Special Compensatory (Bad Climate) Allowance to the Central Government employees shall be admissible at the following rates:-

Pay Range (Basic Pay)	Rates of Project Allowance per month (Rs.)
Below Rs.3000/- p.m.	40
Rs.3000/- p.m. to Rs.4499/- p.m.	80
Rs.4500/- p.m. to Rs.5999/- p.m.	120
Rs.6000/- p.m. to Rs.8999/- p.m.	160
Rs.9000/- p.m. and above	200

2. 'Pay' for the purpose of these orders, will be the pay drawn in the prescribed scale of pay, including stagnation increment (s) and non-practising allowance, but shall not include any other type(s) of pay like special pay on pre-revised pay etc. In the case of those who opt to retain the existing scale of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under orders in existence on 1-1-1996.
3. All other terms and conditions governing the grant of Bad Climate/Unhealthy Locality Allowance shall continue to be applicable. These orders shall take effect from 1.8.1997.
4. In case there are any other Special Compensatory Allowance(s) admissible at a particular place, the Central Government employee working there will have the option to choose the allowance which benefits him the most. Persons drawing Special Compensatory Allowance shall not be eligible for any City Compensatory Allowance.
5. These orders shall also apply to the civilian employees paid from the Defence Service Estimates and the expenditure will be chargeable to the relevant Head of the Defence Service Estimates. In regard to Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.
6. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller and Auditor General of India.

(DPE O.M. No. 2(42)/97-DPE(WC) dated 23rd September, 1998)

10. Policy for the Sixth Round for Wage Negotiations in Public Sector Enterprises.

The undersigned is directed to convey the decision of the Government that the next round of wage negotiations (Which fell due on a general basis from 1.1.97) with the workers of Central Public Sector Enterprises may be commenced by the Managements of the Enterprises with the Trade Unions/Associations, subject to the following conditions:-

- i) The management of PSEs would be free to negotiate the wage structure for the employees not covered by the Justice Mohan Committee, keeping in view and consistent with the generation of resources/profits by the concerned enterprises.
- ii) No budgetary support for the wage increase shall be provided by the Government.
- iii) For PSEs which are monopolies or near monopolies or operate under an administered price structure, it must be ensured that any increase in wages after negotiations does not result in any increase in administered prices of their goods and services.
- iv) The wage revisions shall be subject to the condition that there shall be no increase in labour cost per physical unit of output. There may be exceptions where units were already working at optimum capacity considering industry wide norms; in such cases the administrative Department may consult DPE.

2. As regards sick units registered with BIFR, until BIFR approves revival plan of such enterprises in which provisions have been made for additional expenditure on account of pay revision, no revision of pay would be allowed to the employees of such enterprises.

3. The public enterprises may implement the negotiated wages after confirming to the administrative Ministry and the Department of Public Enterprises that the revisions are within the approved parameters, and that it has been ensured that such negotiated wages would not come in conflict with the wage revision of officers and non-unionised supervisors of public enterprises.

4. The Justice Mohan Committee, which has already submitted its recommendations regarding pay package and perquisites for officers and non-unionised supervisors, have recommended pay revision in every 10 years instead of 5 years that has been in practice. In the event of Government accepting the recommendations of the Justice Mohan Committee in this regard, the revision of wages for the workers should also be effected once in every 10 years, in order to ensure uniformity. This aspect may also be kept in view.

5. The wage settlements should be negotiated by the PSEs in accordance with the above parameters. The administrative Ministries/Departments are requested to issue suitable instructions to the public sector enterprises under their administrative control on the above lines, under intimation to this Department.

(DPE OM No. 2(11)/96-DPE(WC) dated 14th January, 1999)

11. Pay Revision of the Central Public Sector employees following CDA pattern in 69 PSEs—Revision of rates of Island Special Allowance etc.

In continuation of this Deptt.'s OM of even number dated 23rd September, 1998, pay revision of the public sector employees following CDA pattern in 69 PSEs, the undersigned is directed to convey that the Govt. have decided to extend the following benefits to the Central Public Sector employees following CDA pattern as contained in the OM's mentioned below, which were made applicable to the Central Govt. employees based on the recommendations of the Fifth Central Pay Commission.

1. Revision of rates of Island Special Allowance issued vide Ministry of Finance, Department of Expenditure OM No.12(1)/98-E-II(B) dated 17.7.98 (copy enclosed)
2. Revision of rates of Scheduled/Tribal Area Allowance issued vide Ministry of Finance, Department of Expenditure OM No.17/1/98-E II(B) dated 17.7.98 (copy enclosed)
3. Revision of rates of Special Compensatory (Remote Locality) Allowance issued vide Ministry of Finance, Department of Expenditure OM No.3/1/98-E II(B) dated 20.7.1998 (Copy enclosed).
4. Revision of rates of Composite Hill Compensatory Allowance issued vide Ministry of Finance, Department of Expenditure OM No. 4(3)97-E II(B) dated 17.8.98 (copy enclosed)
5. CCS (LTC) Rules, 1998 – Amendment of – issued vide Ministry of Personnel, Public Grievances & Pensions, Department of Personnel & Training OM No.31011/7/97-Estt.(A) dated 10.8.1998 (copy enclosed)
6. Grant of ad-hoc increment to employees stagnating at the maximum of their scale of pay issued vide Ministry of Finance, Department of Expenditure OM No.1(9)/E.III-A/97 dated 22.7.98 (Copy enclosed)

All administrative Ministries/ Department of the Government of India are requested to bring the foregoing to the notice of public sector enterprises, under their administrative control, who are following CDA pattern for their information and necessary action.

Copy of G.I.,M.F., OM No.12(1)98-E.II (B) dated 17.7.1998 regarding Revised rates of Island Special Allowance, from 1.8.97 [henceforth termed as Island Special (Duty) Allowance]

The undersigned is directed to say that the recommendations of the Fifth Central Pay Commission relating to the Island Special Allowance admissible to the Central Government Civilian employees having an “All India Transfer Liability” on their posting to the Andaman & Nicobar and Lakshadweep Groups of Islands have been considered by the Government. The President is now pleased to decide that this Allowance shall continue to be admissible to this category of Central Government employees at the same rates as prescribed for the different specified areas in this Department’s OM No.20022/2/88-E.II(B), dated May 24, 1989 (vide Sl. No.360 of Swamy’s Annual, 1989), but without any ceiling on its quantum. In other words, the ceiling of Rs.1,000 per month currently in force shall no longer be applicable.

2. The Island Special Allowance shall also henceforth be termed as Island Special (Duty) Allowance.
3. In respect of those employees who opt to retain their pre-revised scales of pay, the basic pay for the purpose of these orders shall also include, in addition to the basic pay in the applicable pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under the orders in force on January 1, 1996.
4. All other terms and conditions governing the grant of the Island Special Allowance as prescribed in Paragraph 2 of this Department’s OM, dated May 24, 1989 shall continue to be applicable, with the exception that the condition that the aggregate of the Island Special Allowance *plus* Special Pay/Deputation (duty) Allowance, if any, will not exceed Rs.1,000 per month shall be dispensed with.
5. These orders will take effect from August 1, 1997.
6. In so far as persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller and Auditor-General of India.

Copy of G.I., M.F., OM No.17/1/98-E.II(B) dated 17.7.1998 regarding Revised rates of Scheduled/ Tribal Area Allowance from 1-8-1997 –[henceforth termed as Special Compensatory (Tribal Areas/ Scheduled Areas/Agency Areas)Allowances]

The undersigned is directed to say that consequent upon the decisions taken by the Government on the recommendations of the Fifth Central Pay Commission related to the above-mentioned allowance *vide* this Ministry's Resolution No.50 (1) IC.97 dated 30-9-1997, the President is pleased to decide that in modification of this Ministry's OM No.19(4)-E.IV(B)/70-Vol.II, dated 19.2.1972 as amended from time to time, Scheduled/Tribal Area Allowance to the Central Government employees shall be admissible at the following rates:-

Pay Range	Rate per month (Rs.)
Below Rs.3000/- p.m.	40
Rs.3000/- p.m. to Rs.4499/- p.m.	80
Rs.4500/- p.m. to Rs.5999/- p.m.	120
Rs.6000/- p.m. to Rs.8999/- p.m.	160
Rs.9000/- p.m. and above	200

2. 'Pay' for the purpose of these orders, shall be the pay drawn in the prescribed scale of pay including stagnation increment(s) and non-practising allowance, but shall not include any other type(s) of pay like special pay, personal pay, etc. In the case of those employees who opt to retain the pre-revised scales of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under the orders in force on 1-1-1996.
3. The allowance shall henceforth be termed as Special Compensatory [Tribal Areas/Scheduled Areas/ Agency Areas] Allowance.
4. This allowance shall cease to be admissible in those States where it has been discontinued for the State Government employees with effect from the date(s) of such discontinuance and shall be admissible at the revised rates only in those States where such allowance continues to be extended for the State Government employees.
5. All other terms and conditions governing the grant of Scheduled/ Tribal Area Allowance shall continue to be applicable.
6. These order shall take effect from 1-8-1997.
7. In places where more than one Special Compensatory Allowance is admissible, the Central Government employees posted in such stations will have the option to choose the allowance, which benefits them the most.
8. The orders shall also apply to the civilian employees paid from the Defence Services Estimates and the expenditure will be chargeable to the relevant Head of the Defence Service Estimates. In regard to Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.
9. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue after consultation with the Comptroller and Auditor-General of India.

Copy of G.I., M.F., OM No.3/1/98-E.II(B) dated 20.7.1998 regarding Revised rates of Special Compensatory (Remote Locality) Allowance from 1-8-1997.

The undersigned is directed to refer to the marginally noted* orders relating to the grant of Special Compensatory (Remote Locality) Allowance to Central Government civilian employees serving in different States and Union Territories. The recommendations of the Fifth Central Pay Commission relating to this allowance have been considered by the Government. The President is now pleased to decide that the Special Compensatory (Remote Locality) Allowance to the Central Government employees, serving in the specified areas in different States and Union Territories listed as Parts 'A', 'B', 'C' and 'D' in the Annexure to this O.M. shall be admissible at the following rates:-

Pay Range	Areas included in			
	Part-A	Part-B	Part-C	Part-D
	(Rate of Monthly Allowance in Rs.)			
Below Rs.3000/- p.m.	300	250	150	40
Rs.3000/- p.m. to Rs.4499/- p.m.	500	400	300	80
Rs.4500/- p.m. to Rs.5999/- p.m.	700	550	450	120
Rs.6000/- p.m. to Rs.8999/- p.m.	1000	800	600	160
Rs.9000/- p.m. and above	1300	1050	750	200

*O.M. Nos. and Date

1. 20014/12/86-E.IV, dated 23-9-1986 & 9-4-1987
2. 20014/4/86-E.IV, dated 23-9-1986 & 27-4-1987
3. 20014/7/86-E.IV, dated 23-9-1986 & 22-4-1987
4. 20014/1/87-E.II(B), dated 31-5-1991
5. 20014/1/86-E.II(B), dated 23-9-1986
6. 20014/13/86-E.IV, dated 23-9-1986 & 2-4-1987
7. 20014/11/86-E.IV, dated 23-9-1986 & 16-4-1987
8. 20014/6/86-E.IV, dated 23-9-1986 & 27-4-1987
9. 20014/2/86-E.IV, dated 23-9-1986 & 16-4-1987
10. 20014/9/86-E.IV, dated 23-9-1986 & 22-4-1987
11. 20014/8/86-E.IV, dated 23-9-1986 & 22-4-1987
12. 20014/10/86-E.IV, dated 23-9-1986 & 22-4-1987
13. 20014/5/86-E.IV, dated 23-9-1986 & 22-4-1987

2. 'Pay' for the purpose of these orders, shall be the pay drawn in the prescribed scale of pay including stagnation increment(s), if any, and non-practising allowance, but shall not include any other type(s) of pay like special pay, on the pre-revised pay, Deputation (Duty) Allowance etc. In the case of those employees who opt to retain their pre-revised scales of pay, it shall include, in addition to pay in the applicable pre-

revised scale, dearness allowance and interim relief appropriate to that pay admissible under the orders in force on 1-1-1996.

3. All other terms and conditions governing the grant of Special Compensatory Remote Locality Allowance including the classification of different areas for the specific purpose of this allowance shall continue to be applicable.

4. These orders shall take effect from August 1, 1997.

5. In case any other Special Compensatory Allowance(s) are also admissible at a particular place, the Central Government employees working there will have the option to choose the allowance which benefits them the most. Persons drawing any of the admissible Special Compensatory Allowances shall not, however, be eligible for any City Compensatory Allowance in addition.

6. The orders shall also apply to the civilian employees paid from the Defence Services Estimates and the expenditure will be chargeable to the relevant Head of the Defence Service Estimates. In respect of Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.

7. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue after consultation with the Comptroller and Auditor-General of India.

ANNEXURE

AREAS ELIGIBLE FOR GRANT OF SPECIAL COMPENSATORY [REMOTE LOCALITY] ALLOWANCE

A. ANDAMAN AND NICOBAR ISLANDS

I. Areas included in Part 'A'

Middle Andamans, North Andaman, Little Andaman, Nicobar and Narcondum Islands.

II. Areas included in Part 'B'

South Andaman [including Port Blair]

B. ARUNACHAL PRADESH

I. Areas included in Part 'A'

Difficult Areas of Arunachal Pradesh

II. Areas included in Part 'B'

Throughout Arunachal Pradesh other than those declared as Difficult Areas.

C. ASSAM

I. Areas included in Part 'D'

Entire State

D. HIMACHAL PRADESH

I. Areas included in Part 'A'

1. Chamba District

- (a) Pangi Tehsil
- (b) Following Panchayats and Villages of Bharmour Tehsil
 - (i) Panchayats Badgaun, Bajol, Deol Kugti, Nayagam and Tundah
 - (ii) Villages Ghatu of Gram Panchayat Jagat, Kanarsi of Gram Panchayat Chauhata.

2. Kinnaun District

- (a) Asrang, Chitkul and Hango Kuno/Charang Panchayats
- (b) 15/20 Area comprising the Gram Panchayats of Chhota Khamba, Nathpa and Rupī.
- (c) Pooh sub-Dvision, excluding the Panchayat Areas specified above.

3. Kullu District

15/20 Area of Nirmand Tehsil, comprising the Gram Panchayats of Kharga, Kushwar and Sarga.

4. Lahaul and Spiti District

Entire area of Lahaul and Spiti.

5. Shimla District

15/20 Area of Rampur Tehsil comprising of Panchayats of Koot, Labana-Sadana, Sarpara and Chandi-Branda.

II. Areas included in Part 'B'

1. Chamba District

Bharmour Tehsil, excluding Panchayats and Villages included in Part 'A'

2. Kangra District

Areas of Bara Bhangal and Chhota Bhangal

3. Kinnaur District

Entire District other than Areas included in Part 'A'

4. Shimla District

- (a) Dodra-Kawar Tehsil
- (b) Gram Panchayats of Darkali in Rampur, Kashapath Tehsil
- (c) Ghorī Chaibis of Pargana Sarahan

III. Areas included in Part ‘C’

1. Chamba District

2. (a) Jhandru Panchayat in Bhatiyat Tehsil
- (b) Churah Tehsil
- (c) Dalhousie Town (including Banikhet proper)

3. Kullu District

Outer Seraj (excluding Villages of Jakat-Khana and Burow in Nirmand Tehsil)

4. Mandi District

- (a) Chhuhar Valley (Jogindernagar Tehsil)
- (b) Following Panchayats in Thunag Tehsil: Bagraa, Chhatri, Chootdhar, Garagushain, Gatoo, Gharyas, Janjheli, Jaryar, Johar Kalhani Kalwan, Kholanal, Loth, Silibagi, Somachan, Thachdhar, Tachi and Thana.
- (c) Following Panchayats of Dharampur Block: Binga, Kamlah, Saklana, Tanyar and Tarakholah.
- (d) Following Panchayats of Karsog Tehsil: Balidhar, Bagra, Gopalpur, Khajol, Mahog, Mehudi, Manj, Pekhi, Sainj, Sarahan and Teban
- (e) Following Panchayats of Sundernagar Tehsil: Bohi, Batwara, Dhanyara, Paura-Kothi, Seri and Shoja.

5. Kangra District

- (a) Dharamsala Town and the following offices located outside its Municipal limits but included in Dharamsala Town for purposes of eligibility to Special Compensatory (Remote Locality) Allowance:
 - (i) Women’s ITI, Dari
 - (ii) Mechanical Workshop, Ramnagar.
 - (iii) Child Welfare and Town and Country Planning Offices, Sakoh
 - (iv) CRSF Office at lower Sakoh.
 - (v) Kangra Milk Supply Scheme, Dugiar
 - (vi) HRTC Workshop, Sudher
 - (vii) Zonal Malaria Office, Dari
 - (viii) Forest Corporation Office, Shamnagar
 - (ix) Tea Factory, Dari
 - (x) IPH Sub-Division, Dari
 - (xi) Settlement Office, Shamnagar
 - (xii) Binwa Project, Shamnagar

(b) Palampur Town, including HPKVV Campus at Palampur, and the following offices located outside its Municipal limits but included in Paramour Town for this purpose:

- (i) H.P. Krishi Vishvavidyala Campus
- (ii) Cattle Development Office/Jersey Farm, Banuri
- (iii) Sericulture Office/Indo-German Agriculture Workshop/HPPWD Division, Bundla
- (iv) Electrical Sub-Division, Lohna
- (v) DPO Corporation, Bundla
- (vi) Electrical HPSEE Division, Ghuggar

6. Shimla District

1 (a) Chopal Tehsil

- (b) (i) Ghoris, Panjgaon, Patsnau, Naubis and Teen Koti of Pargana Sarahan.
- (ii) Deothi Gram Panchayat of Taklesh Area
- (iii) Pargana Barabis
- (iv) Kasba Rampur and Ghori Nog of Pargana Rampur of Rampur Tehsil

2. Shimla Town and its suburbs (Dhalli, Jatog, Kasumpti, Mashobra, Taradevi and Tutu)

7. Sirmaur District

(a) Following Panchayats:

- (i) Bani, Bakhali (Pachhad Tehsil).
- (ii) Bharog Bheneri (Paonta Tehsil)
- (iii) Birla (Nahan Tehsil)
- (iv) Dibber (Pachhad Tehsil)
- (v) Thana Kasoga (Nahan Tehsil)

(b) Thansgiri Tract

8. Solan District

Mangal Panchayat

IV. Areas included in Part 'D'

The remaining Areas of Himachal Pradesh not included in any of the Parts 'A', 'B' and 'C'.

E. JAMMU & KASHMIR

I. Areas included in Part 'A'

1. Kathua District

Niabat Bani, Lohi, Malhar and Modhodi

2. Udhampur District

- (a) Dudu Basantgarh, Lander Bhamag Thana, Thakrakote and Nagote
- (b) All Areas in Mahore Tehsil other than those included in Part 'B'

3. Doda District

Illaqas of Padder and Niabat Nowgam in Kishtwar Tehsil

4. Leh District

- (a) Noyama and Nobre
- (b) Zaskar
- (c) All other places in the District

5. Baramulla District

Entire Gurez-Nirabat, Tangdar Sub-Division and Keran Illaqa.

II. Areas included in Part 'B'

1. Udhampur District

Areas up to Goel from Kamban side and Areas upto Arnas from Keasi side in Tehsil Mahore

2. Baramulla District

Matchill.

III. Areas included in Part 'C'

- 1. (i) Areas in Poonch and Rajouri Districts excluding the towns of Poonch and Rajouri and Sunderbani and other Urban areas in the two districts
- (ii) Areas not included in Parts 'A', 'B' and (i) of Part 'C' above, but which are within a distance of 8 Km from the line of actual control or at places which may be declared as qualifying for Border Allowance from time to time by the State Government for their own staff.

F. LAKSHADWEEP

I. Areas included in Part 'A'

Entire Union Territory

G. MANIPUR

I. Areas included in Part 'C'

Entire State

H. MEGHALAYA

I. Areas included in Part 'D'

Entire State

I. MIZORAM**I. Areas included in Part 'A'**

Chimtuipui District and areas beyond 25 km from Lunglei Town in Lunglei District

II. Areas included in Part 'B'

Entire Lunglei District excluding areas beyond 25 km from Lunglei Town

III. Areas included in Part 'C'

Entire Aizawl District

J. NAGALAND**I. Areas included in Part 'B'**

Entire State

K. SIKKIM**I. Areas included in Part 'A'**

Entire State

L. TRIPURA**I. Areas included in Part 'B'**

Difficult Areas of Tripura

II. Areas included in Part 'C'

Entire State other than areas declared as Difficult ones and included in Part 'B'

M. UTTAR PRADESH**I. Areas included in Part 'A'**

Areas under Chamoli, Pithoragarh and Uttar Kashi Districts.

Copy of G.I., M.F. OM No.4(3)/97-E.II (B) dated 17.8.1998 regarding Revised rates of Composite Hill Compensatory Allowance from 1-8-1997 [Henceforth termed as Special Compensatory (Hill Areas) Allowance]

The undersigned is directed to say that the recommendations of the Fifth Central Pay Commission relating to the Composite Hill Compensatory Allowance have been considered by the Government. The President is pleased to decide that, in modification of this Ministry's O.M. No.5(3)-E.II(B)/64 dated 29-5-1964 as amended from time to time, Composite Hill Compensatory Allowance to the Central Government employees shall be admissible at the following rates:-

Pay Range	Rate per month (in Rs.) Attitude of the place at 1000 M. and above Mean Sea Level
Below Rs.3000/- p.m.	100
Rs.3000/- p.m. to Rs.4499/- p.m.	140
Rs.4500/- p.m. to Rs.5999/- p.m.	240
Rs.6000/- p.m. and above	300

2. Pay for the purpose of these orders will be pay drawn in the prescribed scale of pay, including stagnation increment(s) and non-practising allowance, but shall not include any other type(s) of pay like special pay, personal pay, etc. In case of those employees who opt to retain the pre-revised scale of pay, it will include, in addition to pay in the pre-revised scale, dearness allowance and interim relief appropriate to that pay admissible under orders in force on 1.1.96.
3. The allowance shall henceforth be termed as **Special Compensatory (Hill Areas) Allowance**.
4. All other terms and conditions governing grant of Composite Hill Compensatory Allowance shall continue to be applicable.
5. These orders shall take effect from 1-8-1997.
6. In places where more than one Special Compensatory Allowance is admissible, the Central Government employees posted in such stations will have the option to choose the allowance, which benefits them the most.
7. These orders shall also apply to the Civilian employees paid from the Defence Services Estimates and the expenditure will be chargeable to the relevant Head of the Defence Services Estimates. In regard to Armed Forces Personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways respectively.
8. In so far as the persons serving in the Indian Audit and Accounts Departments are concerned, these orders issue in consultation with the Comptroller and Auditor General of India.

Copy of M/PPG&P, DOPT OM No.31011/7/97-Estt.(A) dated 10.8.1998 & Notification dated 28.7.1998 regarding CSS(LTC) Rules, 1988—Amendment of.

The undersigned is directed to refer to this Department's O.M. of even number dated 20.10.1997 on the subject mentioned above and to say that consequent upon acceptance of the recommendations of Fifth Central Pay Commission, CCS (LTC) Rules, 1988 were amended vide this Department's Notification No.31011/7/97-Estt.(A) dated 20.10.97 published in the Extra-ordinary Gazette of India Part II Section 3 Sub-Section (1) dated 20.10.97 as G.S.R. No.602(E). In the Notification under reference, the entitlement of different categories of employees to travel by rail was fixed on the basis of scales of pay.

2. The Fifth Central Pay Commission had recommended that while on LTC, the employees be permitted to travel by train by the class of accommodation to which they are entitled for journey on tour. The Department of Expenditure issued orders relating to Travelling Allowance entitlements vide Office Memorandum No.10/2/98-IC and F.No.19030/2/97-E.IV dated the 17th April, 1998 in which the entitlements were based on the basic pay of the employees.
3. After the issue of O.M. dated 17.4.1998 by the Department of Expenditure, a need was felt to amend the CCS (LTC) Rules, 1988 to make the entitlements pay-based instead of scale-based. The CCS (LTC) Rules have, therefore, been amended accordingly vide this Department's Notification No.31011/7/97-Estt. (A) dated the 28th July, 1998 published in the Gazette of India Extraordinary Part II Section 3 Sub-section (i) as GSR No.412 (E) (copy enclosed.)
4. In the amended CCS (LTC) Rules, in brief, *inter-alia*, the definition of the 'Family' has been elaborated the entitlement by AC 1st Class has been revised for pay scales of Rs.12,000/- and above but less than Rs.18,400/- to the pay of Rs.16,400/- and above but less than Rs.18,400/-; entitlement for travel by AC II Tier Sleeper has also been revised for the pay scales of Rs.6500/- and above but less than Rs.12,000/- to the pay of Rs.8000/- and above but less than Rs.16,400/-; the entitlement for travel by 1st Class/AC III Tier

Sleeper/AC Chair Car has also been revised for the scales of Rs.3050 but less than Rs.6500 to the pay of Rs.4100/- and above but less than Rs.8000. The entitlements for travel by Rajdhani and Shatabdi Express trains has also been indicated in the amendments made to the LTC Rules. The entitlement by Rajdhani/ Shatabdi Express would be applicable in cases where a journey is actually undertaken by these trains and not for determining entitlement on notional basis and both ends of the journey i.e. the place of start of the journey and the destination should be directly connected by Rajdhani/ Shatabdi Express. The entitlements for journey by Road has also been indicated in the amended CCS (LTC) Rules. Journey by private airlines will continue to be prohibited.

5. All L.T.C. claims shall be regulated as per Rules in force on the date of commencement of the journey.

ANNEXURE

Copy of DOPT Notification No.31011/7/97-Estt.(A) dated 28th July, 1998

G.S.R. No.412(E). In partial modification of this Department's Notification No.31011/7/97-Estt.(A) dated the 20th October, 1997 and in exercise of the powers conferred by the proviso to Article 309 and Clause (5) of Article 148 of the Constitution and in consultation with the Comptroller and Auditor General of India, in regard to persons serving the Indian Audit and Accounts Department, the President hereby makes the following rules, namely:-

- (1) These rules may be called the Central Civil Services (Leave Travel Concession) First Amendment Rules, 1998
- (2) They shall come into force from 1-10-1998.
- (3) In Sub-Rule 4 at (d) the existing definition of the 'Family' shall be substituted as under:-

(d) "Family" means:-

- (i) the Government servant's wife or husband, as the case may be, and two surviving unmarried children or step children wholly dependent on the Government servant, irrespective of whether they are residing with the government servant or not.
- (ii) Married daughters who have been divorced, abandoned or separated from their husbands and are residing with the Government servant and are wholly dependent on the Government servant;
- (iii) Parents and/or step mother residing with and wholly dependent on the Government servant;
- (iv) Unmarried minor brothers as well as unmarried, divorced, abandoned, separated from their husbands or widowed sisters residing with and wholly dependent on the Government servant, provided their parents are either not alive or are themselves wholly dependent on the Government servant.

EXPLANATIONS:

1. The restriction of the concession to only two surviving children or step children shall not be applicable in respect of (i) those employees who already have more than two children prior to the coming into force of this restriction i.e. 20.10.1997; (ii) children born within one year of the coming into force of this restriction; (iii) where the number of children exceeds two as a result of second child birth resulting in multiple births;
2. Not more than one wife is included in the term "Family" for the purpose of these Rules. However, if a Government servant has two legally wedded wives and the second marriage is with the specific permission of the Government, the second wife shall also be included in the definition of "Family".

3. Though it is not necessary for the spouse and children to reside with the Government servant so as to be eligible for the Leave Travel Concession, the concession in their cases shall, however, be restricted to the actual distance traveled or the distance between the headquarters/place of posting of the Government servant and the hometown/place of visit, whichever is less;

4. Children of divorced, abandoned, separated from their husbands or widowed sisters are not included in the term “Family”;

5. A member of the family whose income from all sources, including pension, temporary increase in pension out excluding dearness relief on pension or stipend etc. does not exceed Rs.1500 p.m. is deemed to be wholly dependent on the Government servant.

(4) In Rule 12 for the existing sub-rule 1, the following shall be substituted:

(A) Journey by Air/Rail:

Pay range	Entitlement
Rs.18,400 and above	Air Economy (Y) Class by National Carriers or AC First Class by train, at their option.
Rs.16,400 and above but less than Rs.18,400	A.C. First Class
Rs.8,000 and above but less than Rs.16,400	II AC II-Tier Sleeper
Rs.4,100 and above but less than Rs.8,000	First Class/AC III-Tier Sleeper/AC Chair Car*
Below Rs.4,100	Second Sleeper

* All Government Servants who are entitled to travel on LTC by First Class/AC III tier Sleeper/AC Chair Car may, at their discretion, travel by AC II – Tier sleeper in cases where any of the trains connecting the originating and destination stations concerned by the direct shortest route do not provide these three classes of accommodation.

Travel by Rajdhani Express Trains

Pay range	Entitlement
Rs.16,400 and above	AC First Class
Rs.8,000 and above but less than Rs.16,400	II AC 2-Tier Sleeper
Rs.4,100 and above but less than Rs.8,000	AC Chair Car

Travel by Shatabdi Express Trains

Pay range	Entitlement
Rs.16,400 and above	Executive Class
Rs.4,100 and above but less than Rs.16,400	AC Chair Car

Note: Entitlement by Rajdhani/Shatabdi Trains would be applicable in cases where journey is actually undertaken by these trains and not for determining entitlement on notional basis. Both ends of the journey i.e. place of start of the journey and the destination should be directly connected by Rajdhani/Shatabdi Express.

(B) Journey by Sea or by River Steamer

Pay range	Entitlement
Rs.8,000 and above	Highest Class

Rs.6,500 and above but less than Rs.8,000	If there are two classes only on the steamer, the lower class.
Rs.4,100 and above but less than Rs.6,500	If there are three classes, the middle or the second class. If there are four classes, the third class.
Below Rs.4,100	The lowest Class.
Accommodation entitlements for travel between the mainland and the Andaman & Nicobar Group of Islands and the Lakshadweep Group of Islands by ships operated by the Shipping Corporation of India Limited will be as follows:-	
Pay range	Entitlement
Rs.8,000 and above	Deluxe Class
Rs.6,500 and above but less than Rs.8,000	First/'A' Cabin Class
Rs.4,100 and above but less than Rs.6,500	Second/'B' Cabin Class
Less than Rs.4,100	Bunk class
<u>(C) Journey by Road</u>	
Pay range	Entitlement
(i) Rs.18,400 and above	Actual fare by any type of public bus, including air-conditioned bus; or At prescribed rates for AC Taxi/Taxi (AC Taxi when the journey is actually performed by AC Taxi) for journey to the places not connected by rail subject to condition that the claim shall be restricted to the bus fare by entitled class or the fare actually paid, whichever is less.
(ii) Rs.8,000 and above but less than Rs.18,400	Same as at (i) above with the exception that journeys by AC Taxi will not be permissible.
(iii) Rs.6,500 and above but less than Rs.8,000	Same as at (ii) above with the exception that journeys by air-conditioned bus will not be permissible
(iv) Rs.4,100 and above but less than Rs.6,500	Actual fare by any type of public bus other than air-conditioned bus; Or At prescribed rate for autorickshaw for journey to places not connected by rail subject to condition that the claim shall be restricted to bus fare by entitled class or the fare actually paid, whichever is less.
(v) Below Rs.4,100	As at (iv) above with the condition that the claim shall be restricted to the bus fare by ordinary bus.
<u>Note</u> In all cases of travel by AC Taxi, Taxi or Autorickshaw, production of fare receipt will be necessary.	
Recommendations of the Fifth Central Pay Commission—grant of ad-hoc increment to employees stagnating at the maximum of their scale of pay.	
The undersigned is directed to say that the Fifth Central Pay Commission in para 22.39 of their Report have recommended that the existing rules for grant of stagnation increment should continue. Further, it has been recommended that the facility should be available subject to the condition that the basic pay plus stagnation increment(s) should not exceed Rs.22,000 per month in the revised scales of pay. The Government have considered this recommendation.	
2. In partial modification of the recommendations and in suppression of all previous orders on the subject, the President is pleased to decide that all Central Government employees who have opted for the revised scales of pay in terms of the Central Civil Service (Revised Pay) Rules, 1997, and who may reach	

the maximum of the revised scales of pay shall be granted one stagnation increment on completion of every two years at the maximum of the respective scales. The stagnation increment shall be equal to the rate of increment last drawn by them in their pay scales. A maximum of three such increments shall be allowed subject to the condition that the grant of stagnation increments shall be restricted to all posts the maximum of the pay scale of which does not exceed Rs. 22,400.

3. In the case of Government servants whose pay in the applicable revised scales is fixed at the maximum of the scales as on 1.1.1996, the stagnation increments in the revised scales of pay will be admissible only on expiry of a period of two years reckoned from 1st January, 1996. In other words, no Government servant will become eligible for the first stagnation increment in the revised scale of pay before 1.1.1998. Consequently, the period, if any, spent at the maximum of the pre-revised scales will not be taken into account in determining the eligibility of Government servants to draw stagnation increments in the revised scales of pay. Similarly, the stagnation increment(s), if any, already earned in the pre-revised scales of pay will not be counted towards the maximum of three increments admissible in the revised scale of pay.

4. The stagnation increment will count, as at present, for all purposes such as D.A., H.R.A., C.C.A. pensionary benefits etc., including fixation of pay on promotion.

5. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders are being issued after consultation with the Comptroller and Auditor General of India.

(DPE O.M. No.2(42)/97-DPE(WC) dt. 2nd February, 1999)

12. Pay Revision of the Central Public Sector employees following CDA pattern in 69 PSEs – Clarification on revised pay scales contained in Part ‘B’ of the First Schedule of the CCS (RP) Rules, 1997 as notified vide Notification dated 30th September, 1997 of Ministry of Finance.

In continuation of this Department’s O.M. of even number dated 24th October, 1997, it has since been clarified by the Department of Expenditure, Ministry of Finance that even though the CDA pattern employees in PSUs were on Central Government scales of pay, their over all service conditions are not comparable with the Central Government employees in the matter of recruitment, qualification, promotion policy, various perquisites, retirement benefits, etc. and as such, the specific revised pay scales contained in Part ‘B’ of the First Schedule of the Notification dated 30th September, 1997 cannot be extended in case of CDA pattern employees in PSUs. In such cases, only normal replacement scales as contained in Part ‘A’ of the First Schedule of the said Notification of 30th September, 1997 may be given.

All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the Public Sector Enterprises, under their administrative control, who are following CDA pattern for their information and necessary action.

(DPE O.M. No. 2(42)/97-DPE(WC) dated 12th March, 1999)

13. Board level posts and below Board level posts including non-unionised supervisors in Public Enterprises – Revision of scales of pay w.e.f. 1.1.1997.

The last revision of scale of pay of non-unionised supervisors, below Board level executives and executives holding Board level posts in Central Public Sector Undertakings was made effective from 1.1.1992 for a period of five years. As the next pay revision fell due from 1.1.1997, the Government had set up a high level Committee under the Chairmanship of Justice S. Mohan, Retd. Supreme Court Judge, to recommend revision of pay and allowances for these executives following IDA pay scales. Based on the recommendations

of the Committee, the Government have decided that the scale of pay attached to these Board level posts and below Board level posts would stand revised w.e.f. 1.1.1997 as indicated in Annexure-I.

2. In enterprises, where the scales of pay are different from those prescribed in the DPE guidelines or where rates of increments higher than those provided had been adopted in the past, it may be necessary for such enterprises to introduce certain intermediary scales or modify the scales to be provided in the guidelines with appropriate adjustments in their span and rate of increments. In doing so, it should be ensured that the minimum and the maximum of the individual scales prescribed herein are not altered. Such enterprises shall introduce these modifications only in consultation with their administrative Ministries and the DPE.

3. The grant of one increment in the revised scale against every three increments drawn in the pre-revised scales. The fitment benefit and fitment method would be as indicated in Annexure-II.

4. There will be a provision for grant of upto a maximum of three stagnation increments for those who reach the maximum of their scales.

5. 100 per cent DA neutralisation may be adopted for all employees covered by the Committee's recommendations who are on IDA scales of pay with effect from 1 January, 1997. The periodicity of adjustment should be once in three months, as per existing practice for these categories.

The Industrial DA at AICPI-1708 as on 1.1.1997 admissible to the incumbents in these posts in the revised scale would be 'nil', as the amount of IDA as on 1.1.1997 has been merged in the revised basic pay. The DA payable from 1.1.1997 to the incumbents of these posts would be as per new DA scheme (Annexure-III).

6. In respect of sick enterprises referred to the BIFR, revision of pay scales would be strictly in accordance with rehabilitation packages approved or to be approved by the BIFR and after providing for the additional expenditure on account of pay revision in these packages.

7. Presidential directives would be issued by all the administrative Ministries/Departments indicating these scales as a ceiling, as the actual payments would depend on the capacity to pay of the enterprises. The resources for meeting the increased obligation for salaries and wages must be internally generated and must come from improved performance in terms of productivity and profitability and not from Government subvention. The Presidential directives would also cover guidelines relating to dearness allowance and ceilings on perquisites. A format of the Presidential directive is suggested in Annexure-IV.

8. The next pay revision would be after 10 years.

9 (i) House Rent Allowance to public sector employees would be at the rates applicable to Central Government employees based on the reclassified list of cities as notified by the Government of India. The HRA rates and classification of cities are given in Annexure-V.

(ii) Rent recovery on revised pay would be computed from the date of Implementation of these guidelines at the percentages in practice before 1.1.1997 or on the basis of standard rent to be fixed by the companies.

(iii) HRA, leased accommodation and rent recovery would be computed on revised basic pay but the amount to be paid or recovered would be from the date of implementation of these guidelines.

10. In respect of leased accommodation, the boards of public enterprises will have the flexibility to review and provide for an adequate level of leased accommodation for the executives who are entitled to this facility.

11. City Compensatory Allowance to be granted are as under, from the date of implementation of these guidelines:

Basic pay per month	A Population > 50 lakhs	A-1 Population >20 lakhs and <=50 lakhs	B-1 Population >10 lakhs and <=20 lakhs	B-2 Population >=5 lakhs and <=10 lakhs
Below Rs.4000	90	65	45	25
Rs.4001-Rs.5250	125	95	65	35
Rs.5251-Rs.6499	200	150	100	65
Rs.6500 & above	300	240	180	120

12. Payment of perquisites and allowances may be upto a maximum of 50 per cent of the basic pay. Payments over and above the ceiling of 50 per cent should be entirely in the nature of Performance Related Payments which should not exceed 5 per cent of the distributable profits in an enterprise.

13. The Public Sector Enterprises should look into Mediclaim cover through insurance companies for their retired employees. The said policies could be funded from collateral contributions from both employees and organisations. The rules of the EPS 1995 should be amended so that the decisions to either choose EPS 1995 or to work out their own new contributory pension schemes must be that of, and made by the public sector enterprises themselves.

14. There should be no notional revision of pay for the purpose of determining of VRS in sick enterprises.

15. The administrative Ministries are requested to fix the pay of the incumbents of the Board level posts who were in employment in their enterprises as on 1.1.1997 in the manner indicated above and forward their files to the DPE for vetting as required under the existing instructions contained in BPE's D.O. letter No.1/1/89-BPE(S&A) Cell dated 14.2.1989 and DOPT's OM No.27(14)/EO/89(ACC) dated 6.12.1989, and as per procedure indicated in Annexure-VI.

16. A copy of the direction issued to the Public Enterprises may be endorsed to the Department of Public Enterprises.

<u>ANNEXURE-I</u>		
<u>Pay Scales for Public Sector Executives</u>		
Schedule	Existing scales effective from 1.1.92 (Rs.)	Proposed scales effective from 1.1.97 (Rs.)
'A'	13000-500-15000	27750-750-31500
'B'	12000-400-14000	25750-650-30950
'C'	10000-400-12000	22500-600-27300
'D'	9000-300-10500	20500-500-25000
<u>Below Board Level</u>		
'E-0'	3500-150-6200	6550-200-11350
'E-1'	4000-175-7150	8600-250-14600
'E-2'	4800-200-5800-225-8275	10750-300-16750
'E-3'	5400-225-6300-250-9050	13000-350-18250
'E-4'	6500-250-7500-275-9425	14500-350-18700
'E-5'	7000-275-8100-300-9600	16000-400-20800

Schedule	Existing scales effective from 1.1.92 (Rs.)	Proposed scales effective from 1.1.97 (Rs.)
'E-6'	7500-300-9900	17500-400-22300
'E-7a'	8250-300-10500	18500-450-23900
'E-7b'	8500-300-10300	18500-450-23900
'E-8'	9500-400-11500	20500-500-26500
'E-9'	11500-400-13500	23750-600-28550
<u>Non-Unionised Supervisors Scales</u>		
S-1	2800-90-3430-100-4830	5200-140-8000
S-2	3000-105-3735-110-5055	5600-150-8600
S-3	3200-110-3970-120-5290	6000-160-9200
S-4	3375-120-4335-140-5875	6400-180-10000

ANNEXURE-II

FITMENT METHOD

A		B		C		D
Basic pay as on 31.12.96		Corresponding Dearness Allowance		Upto 20% of A		Aggregate amount#
and* personal pay as on 1.1.92	+	at AICPI 1 of 1708 (base 1960=100) as on 1.1.97		+	=	

*Personal Pay resulting as a consequence of the Department of Public Enterprises guidelines dated 19.7.95 on the 1992 Executive Salary revision.

The new basic pay will be determined by placing the aggregate amount at Column D in the revised scale of pay. Where the aggregate amount in Column D thus arrived, does not fit into a stage in the revised scale of pay. The new basic pay will be determined by fixing the Aggregate Amount at the next higher stage in the revised scale of pay.

ANNEXURE-III

PUBLIC SECTOR DEARNESS ALLOWANCE SCHEME

SALIENT FEATURES:

- A) All India Consumer Price Index number for industrial workers (general) based on 1960=100 (AICPI) is used for grant of compensation to the employees of PSEs for price rise.
- B) DA installments would be released 4 times a year w.e.f. 1st January, 1st April, 1st July and 1st October.
- C) DA would be paid for the increase in AICPI above quarterly index average of 1708 to which the revised scales of pay are related.
- D) The percentage increase in the quarterly average of the AICPI for the period ending February, May, August and November over index 1708 would be taken upto one decimal point.

- E) The rate of compensation of the employees of PSEs over the basic pay at index average of 1708 is also in whole numbers with fractions carried forward.
- F) The percentage neutralisation to employees in different pay ranges would be 100%.

Foot Note-I

Quarterly averages would be computed in the following manner:

Quarterly Averages	Payable from
September, October & November	1st January
December, January & February	1st April
March, April & May	1st July
June, July & August	1st October

Foot Note-II

The quarterly average of AICPI for the months of September, October and November, 1996 worked out to 1708 and the DA under the IDA scheme at the admissible rates payable from 1.1.97 is being merged in the basic pay. DA admissible under the new formula evolved for the public sector employees would be NIL on 1.1.1997. The first installment of DA would become due from 1.4.1997.

ANNEXURE-IV

Draft Directive to be issued by the administrative Ministries/ Departments to the Central Public Sector Enterprises under their administrative control regarding pay revision and other benefits for Board level and below Board level executives.

The scale of pay of the incumbents of the Board level and below Board level executives were last revised by the Government w.e.f.1.1.92. Government have now decided that the pay revision and other benefits for these executives w.e.f. 1.1.97 may be implemented through Presidential Directives.

2. In exercise of the powers conferred by Article of Articles/* of Associations of/*Section of the Act setting up (name of the PSE), the President is pleased to direct the(name of the PSE) that the approved pay scales, fitment formula, DA guidelines and ceiling on perquisites for Board level and below Board level executives w.e.f. 1.1.97 may be implemented.

* Delete whichever is not applicable.

ANNEXURE-V

Classification of Cities/Towns	Rates of House Rent Allowance
‘A-1’	30% of basic pay
‘A’, ‘B-1’ & ‘B-2’	15% of basic pay
‘C’	7.5% of basic pay
Unclassified	5% of basic pay

A-1	A	B-1	B-2	C
1	2	3	4	5
ANDHRA PRADESH				
-	Hyderabad	-	Visakhapatnam (UA), Vijayawada (UA)	Srikakulam, Vizianagram, Anakpalle, Kakinada (UA), Rajahmundry (UA), Narsapur, Palacole, Tadepalligudem, Tanuku, Eluru, Bimavaram, Gudivada, Machilipatnam, Bapatla, Chilakaluri-pet, Narsaraopet, Ponnuru, Tenali, Mangalagiri, Ongole (UA), Chirala (UA), Gudur, Kavali, Nellore, Madanapalle, Srikalashasti, Tirupati (UA), Chittoor, Cuddapah (UA), Proddatur, Dharmavaram, Kadiri, Tadipatri, Anantapur, Guntakal, Hindupur, Yemmiganur, Kurnool (UA), Adoni, Nandyal, Mahbubnagar, Sangareddy, Siddipet, Bodhan, Nizamabad, Adilabad, Bellampalle, Kagaznagar, Mancheriyal, Nirmal, Nagtial, Sircilla, Karimnagar, Ramagundam, Palwancha, Khammam (UA), Suryapet, Miryalaguda, Nalgonda, Kothagudem (UA), Guntur, Warangal (UA)
ANDAMAN & NICOBAR ISLANDS				
-	-	-	-	Port Blair
ASSAM				
-	-	-	Guwahati City	Dhubri, Tezpur, Jorhat (UA), Nagaon, Dibrugarh (UA), Tinsukia, Silchar, Karimganj
BIHAR				
-	-	-	Ranchi (UA) Patna (UA)	Mokameh, Bihar, Buxar, Arrah, Dehri, Sasaram, Jehendabad, Nawada, Gaya (UA), Chhapra, Bettiah, Bagaha, Motihari (UA), Muzaffarpur, Siwan, Hajipur, Barauni, Begusarai (UA), Darbhanga, Madhubani, Saharsa, Purnia (UA), Katihar, Jamalpur, Lakhisarai, Munger, Bhagalpur (UA), Deoghar (UA), Dhanbad (UA), Giridih, Phusro (UA), Jhumritilaiya, Hazaribagh, Ramgarh (UA), Saunda, Daltonganj, Chaibasa, Adityapur, Kishanganj, Bokaro Steel City (UA), Jamshedpur (UA).
CHANDIGARH				
-	-	-	Chandigarh (UA)	-

1	2	3	4	5
DELHI				
Delhi (UA)	-	-	-	-
GOA				
-	-	-	-	Margao (UA), Marmugao (UA)
GUJARAT				
-	Ahmedabad (UA)	Surat (UA) Vadodara (UA)	Rajkot (UA)	Jamnagar(UA), Upleta, Gondal (UA), Dhoraji (UA), Jetpur (UA), Morvi (UA), Dhrangadhra, Surendrangar, Botad, Mahuva (UA), Amreli (UA), Veraval, Keshod, Junagadh (UA), Anjar, Porbandar (UA), Gandhidham, Bhuj (UA), Deesa, Palanpur (UA), Himatnagar, Unjha, Sidhpur (UA), Visnagar (UA), Kalol (UA), Mahesana (UA), Viramgam, Khambhat (UA), Nadiad (UA), Anand (UA), Dohad (UA), Godhra (UA), Dabhoi, Anklesvar (UA), Bharuch (UA), Navsari (UA), Valsad (UA), Gandhinagar, Patan (UA), (Under Distt. Mahesana), Petlad, Bhavnagar (UA), Savarkundla (UA)
HARYANA				
-	-	-	Faridabad Complex	Panchkula Urban Estate, Ambala, (UA), Yamunagar (UA), Thanesar, Kaithal, Karnal (UA), Panipat, Sonipat, Bahadurgah (UA), Rohtak, Palwal, Gurgaon (UA), Rewari, Narnaul, Bhiwani, Jind, Hansi, Hisar (UA), Sirsa
HIMACHAL PRADESH				
-	-	-	-	Shimla (UA)
KARNATAKA				
-	Bangalore (UA)	-	Hubli Dharwad	Channapatna, Dodaballapur, Ramana-garam, Gokak, Nipani, Belgaum (UA), Bellary, Bidar (UA), Bagalkot, Rabkavi, Banhatti, Bijapur (UA), Chikmagalur, Chitradurga (UA), Davangere (UA), Mangalore (UA), Ranibennur, Gadag Batigeri, Gulbarga (UA), Hassan (UA), Chintamani, Kolar Gold Fields (UA), Kolar Mandya, Gangawati (UA), Raichur (UA), Bhadravati (UA), Shimoga

1	2	3	4	5
				(UA), Tumkur (UA), Dandeli, Karwar, Hospet, (UA), Harihar, Mysore (UA).
			KERALA	
-	-	-	Thiruvananthapuram(UA) Cochi (UA)	Kasargod, Kanhangad (UA), Payyannur, Vadakara (UA), Ponnani, Manjeri, Palakkad (UA), Thrissur (UA), Changanassery, Kottayam (UA), Alappuzha (UA), Thiruvalla, Kollam (UA), Taliparamba, Kannur (UA), Kayamkulam, Kozhikode (UA)
			MADHYA PRADESH	
-	-	Indore (UA), Bhopal	Gwalior (UA), Jabalpur (UA)	Morena, Bhind, Datia, Tikamgarh, Chhatarpur (UA), Sagar (UA), Damoh (UA), Satna (UA), Guna, Mandsaur, Nagda, Ratlam (UA), Ujjain (UA), Dewas, Dhar, Khandwa, Barhanpur, Vidisha, Sehore (UA), Sarni, Betul (UA), Hoshangabad, Itarsi (UA), Murwara (Katni), Chhindwara (UA), Seoni, Balaghat (UA), Ambikapur (UA), Shivpuri, Dhamtari, Jagdalpur (UA), Mhow (UA), Khargone, Durg, Raigarh (UA), Jaora (UA), Rajanandgaon, Neemuch (UA), Rajharajharan Dalli, Raipur (UA).
			MAHARASHTRA	
Brihan Mumbai	-	Pune (UA) Nagpur (UA)	Nashik (UA) Solapur(UA) Aurangabad(UA)	Virar, Nalasopara, Bhiwandi (UA), Panvel, Ratnagiri, Manmad, Malegaon, Nandurbar, Dhule, Chalisgaon, Amalner, Bhusawal (UA), Jalgaon, Shrirampur (UA), Ahmednagar (UA), Satara, Karad, Sangli (UA), Barshi, Pandharpur, Ichalkaranji (UA), Jalna, Hingoli, Parbhani, Parli, Ambejogai, Bid, Nanded (UA), Osmanabad, Udgir, Latur, Buldana, Malkapur, Khamgaon, Akot, Akola, Achalpur, Pusad, Yavatmal (UA), Hinganghat, Wardha, Bhandara, Kamptee (UA), Gondiya, Ballarpur (UA), Chandrapur, Kolhapur (UA), Amravati
			MANIPUR	
-	-	-	-	Imphal (UA)
			MEGHALAYA	
-	-	-	-	Shillong (UA)
			MIZORAM	

1	2	3	4	5
-	-	-	-	Aizawl
			NAGALAND	
-	-	-	-	Kohima, Dimapur
			ORISSA	
-	-	-	-	Bargarh, Brajarajnagar, Jharsuguda, Sambhalpur (UA), Bhadrak, Baleshwar (UA), Balangir, Bhawanipatna, Jeypur, Sunabeda, Brahampur, Puri, Cuttack (UA), Bhubaneswar
			PUNJAB	
-	-	Ludhiana	Amritsar, Jalandhar	Gurdaspur, Pathankot (UA), Batala (UA), Firozpur Cantt., Fazilka, Abohar, Khanna, Kapurthala, Phagwara (UA), Hoshiarpur, SAS Nagar (Mohali), Rajpura, Nabha, Patiala (UA), Maler Kotla, Sangrur, Firozpur, Barnala, Mansa, Bhatinda, Faridkot (UA), Kotkapura, Muktsar, Malout, Moga (UA)
			PONDICHERRY	
-	-	-	-	Pondicherry (UA), Karaikal, Oulgaret, Yanam (UA)
			RAJASTHAN	
-	-	Jaipur (UA)	Jodhpur, Kota	Hanumangarh, Ganga Nagar, Sardar Shahar, Ratangarh, Sujangarh, Bundi, Jhunjhun, Nawalgarh, Alwar (UA), Bharatpur (UA), Dhaulpur, Hindaun, Gangapur City (UA), Sawai Madhopur (UA), Fatehpur, Sikar, Kishangarh, Beawar (UA), Nagaur, Makrana (UA), Pali, Barmer, Bhilwara, Udaipur, Chittorgarh, Tonk (UA), Baran, Banswara (UA), Churu (UA), Bikaner, Ajmer.
			TAMIL NADU	
-	Chennai (UA)	-	Coimbatore (UA), Madurai (UA), Salem, Tiruchirapalli (UA)	Chengalpattu, Kanchipuram (UA), Arakkonam, Ambur, Tiruppattur, Gudiyattam (UA), Vanyambadi (UA), Attur, Vellor (UA), Krishnagiri, Dharampuri, Arani, Tiruvannamalai, Tindivanam, Villupuram, Panruti, Vriddhachalam, Chidambaram (UA), Kuddalore, Neyveli (UA), Tiruchengudu, Kumarapalayara, Erode (UA), Udhamandalam, Mettupalaiyam, Udumalaipettai, Tiruppur (UA), Pollachi (UA), Palani (UA), Dindigul, Karur (UA), Mayiladuthurai, Mannargudi, Pattukkottai,

1	2	3	4	5
				Nagappattinam (UA), Kumbakonam (UA), Thanjavur, Pudukkottai, Karaikkudi (UA), Bodinayakkanur, Kambam, Teni Allinagaram, Srivilliputtur, Virudungar, Aruppukkottai, Rajapalaiaam, Sivakasi (UA), Paramakkudi, Ramanathapuram, Kovilpatti, Tuticorin (UA), Puliyangudi, Kadaianallur, Tenkasi, Tirunelveli (UA), Nagercoil, Mettur, Valparai
				TRIPURA
-	-	-	-	Agartala
				UTTAR PRADESH
-	-	Lucknow (UA), Kanpur (UA)	Meerut(UA), Bareilly (UA) Allahabad(UA) Varanasi(UA), Agra (UA), Gorakhpur	Dehradun (UA), Kashipur, Rudrapur, Hal-dwani-cum-Kathgodam, Najibabad, Nagina Chandpur, Bijnore (UA), Chandausi, Sambal, Noida, Amroha, Rampur, Deoband, Saharanpur, Roorkee (UA), Hardwar (UA) Shamli, Kairana, Muzaffarnagar (UA) Baraut, Mawana, Pilkhua, Hapur, Modinagar (UA), Khurja, Sikandrabad, Bulandshahr, Hatras, Mathura, Shikohabad, Firozabad (UA), Kasganj, Etah, Mainpuri, Sahaswan, Badaun, Pilibhit, Unnao, Shahjahanpur (UA), Lakhimpur, Sitapur, Hardoi, Shahbad, Gangaghat (Sitt. Unnao), Raebareli, Kannaunj, Orai, Furrukhabad-cum-Fatehagarh (UA), Auraiya, Etawha, Jhansi (UA), Lalitpur, Mohaba, Banda, Fatehpur, Bela Pratapgarh, Behraich, Balrampur, Gonda, Nawabjanj, Tanda, Faizabad(UA) Sultanpur, Basti, Deoria, Maunath, Bhanjan, Azamgarh, Jaunpur, Ballia, Ghazipur, Bhadohi, Mugalasari (UA), Mirzapur-cum-Vindhyachal, Morabadad (UA), Ghaziabad (UA), Aligarh
				WEST BENGAL
Calcutta (UA)	-	-	-	Raiganj (UA), Jalpaigudi, Alipurduar (UA), Darjeeling, Siliguri, Valurghat (UA), Habra (UA), English Bazar (UA), Jangipur, Bharampur (UA), Chakdaha, Krishnanagar, Nabadwip (UA), Santipur, Ranaghat (UA), Bangaon, Basirhat, Rajpur (UA), Contai, Medinipur, Haldia, Kharagpur (UA), Bishnupur. Bankura, Puruliya, Katwa, Asansol (UA), Raniganj (UA), Barddhaman, Suri, Bolpur, Koch-Bihar (UA), Chittaranjan, Debgam, Durgapur

**PROCEDURE FOR APPROVAL AND ADOPTION OF NEW SCALES OF PAY ON
IDA PATTERN BY PSEs**

- (a) PSEs which have been making profit consistently for the last 3 years viz. 1996-97, 1997-98 and 1998-99 would be allowed to adopt the scales of pay for the executives holding posts at and below the Board level and non-unionised supervisors strictly in accordance with these guidelines.
- (b) PSEs which did not make profit during the last 3 years viz. 1996-97, 1997-98 and 1998-99 or had incurred net loss during any of these financial years would also be allowed to adopt these scales of pay of their executives holding posts at and below the Board level and non-unionised supervisors with the approval of the Government i.e. the administrative Ministry acting in consultation with the DPE, provided they give an estimate as to how resources would be generated by them to meet the extra expenditure.
- (c) In respect of sick enterprises referred to BIFR, revision of pay scales for all employees following IDA pattern would be strictly in accordance with the rehabilitation packages approved or to be approved by the BIFR and after providing for the additional expenditure on account of pay revision in these packages.
- (d) PSEs under construction or new PSEs should submit their proposals for adoption of revised scales of pay and DA pattern for their executives holding posts at the Board level, below Board level and non-unionised supervisors, to their administrative Ministries for appropriate approval in consultation with the DPE, giving details of their likely date of going on commercial production, etc.
- (e) The conditions prescribed for Sixth Wage Negotiations of unionised workers in DPE's OM No.2(11)/96-DPE(WC) dated 14.1.1999 shall be applicable for the above pay revision.
- (f) DPE will issue detailed instructions, wherever necessary regarding the matters dealt with in the Note.

(DPE OM No. 2(49)/98-DPE(WC) dated 25th June, 1999)

14. Pay Revision of the Central Public Sector employees following CDA pattern in 69 PSEs – Revision of rates of Island Special Allowance etc.

In continuation of this Department's OM of even number dated 2nd February, 1999 regarding pay revision of the public sector employees following CDA pattern in 69 PSEs, the undersigned is directed to convey that the Government have decided to extend the following benefits to the Central public sector employees following CDA pattern as contained in the OMs mentioned below, which were made applicable to the Central Government employees based on the recommendations of the Fifth Central Pay Commission.

1. Benefits of Special (Duty) Allowance as extended by the Ministry of Finance vide their OM No. 11(2)/97-E.II(B) dated 22.7.98 (copy enclosed).
2. Grant of Special Pay to the cashiers issued vide Department of Personnel & Training's OM No.4/5/97-Estt.(Pay.II) dated 5.5.98 (copy enclosed).

All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of Public Sector Enterprises, under their administrative control, who are following CDA pattern for their information and necessary action.

(DPE OM No. 2/(42)/97-DPE(WC)-G-XII dated 13th August 1999)

Copy of DOPT OM No.4/5/97-Estt.(Pay II) dated 5th May, 1998—Recommendations of the Fifth Central Pay Commission—grant of special pay to the Cashiers.

The undersigned is directed to say that the recommendations of the Fifth Central Pay Commission as contained in paras 55.43 to 55.50 of the Report dealing with special pay to Cashiers have been considered by the Government and in partial modification of this Department OM No.6/31/86-Estt.(Pay II) dated the 29th September, 1986, the President is pleased to decide that the nomenclature of the incentive being granted to Cashiers as special pay, shall henceforth be “Cash Handling Allowance” and the revised slabs and the rates of this allowance w.e.f. 1st August, 1997 would be as under:

Amount of average monthly Rates of cash

Cash disbursed Handling Allowance

Upto Rs.50,000/- p.m.	Rs.75/- p.m.
Over Rs.50,000/- & upto Rs.2,00,000/-	Rs.150/- p.m.
Over Rs.2,00,000/- & upto Rs.5,00,000/-	Rs.200/- p.m.
Over Rs.5,00,000/- & upto Rs.10,00,000/-	Rs.250/- p.m.
Over Rs.10,00,000/-	Rs.300/- p.m.

2. The Cash Handling Allowance will not be admissible to UDC cum Cashiers as cash handling is part and parcel of the duties of this post.

Other provisions of this Department OM dated 29th September, 1986 will continue to apply.

3. In so far as the persons serving in the Indian Audit & Accounts Department are concerned, these orders are being issued after consultation with the Comptroller & Auditor General of India.

Copy of G.I.M.F.OM No.11(2)/97-E.II(B) dated 22.7.1998—Allowances and facilities for employees serving in N.E. Region and A&N, Lakshadweep Islands enlarged and extended to Sikkim, from 1.8.1997— Quantum ceiling on Special (Duty) Allowance and aggregate of allowances removed – Emergency Passage Concession introduced

With a view to attracting and retaining competent officers for service in the North-Eastern Region, comprising the territories of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, orders were issued in this Ministry’s OM No.20014/3/83-E.IV dated December 14, 1983 extending certain allowances and other facilities to the Civilian Central Government employees serving in this region. In terms of Paragraph 2 thereof, these orders other than those contained in Paragraph 1 (iv) *ibid* were also to apply *mutatis mutandis* to the Civilian Central Government employees posted to the Andaman & Nicobar Islands. These were further extended to the Central Government employees posted to the Lakshadweep Islands in this Ministry’s OM of even number dated March 30, 1984. The allowances and facilities were further liberalized in this Ministry’s OM No.20014/16/86/E.IV/E.II(B) dated December 1, 1988 and were also extended to the Central Government employees posted to the North-Eastern Council when stationed in the North-Eastern Region.

2. The Fifth Central Pay Commission have made certain recommendations suggesting further improvements in the allowances and facilities admissible to the Central Government employees, including Officers of the All India Services, posted in the North-Eastern Region. They have further recommended that these may also be extended to the Central Government employees, including Officers of the All India Services, posted in Sikkim. The recommendations of the Commission have been considered by the Government and the President is now pleased to decide as follows:

- (i) *Tenure of Posting/Deputation*—The provisions in regard to tenure of posting/deputation contained in this Ministry's OM No.20014/3/83-E.IV dated December 14, 1983, read with OM No.20014/16/86-E.IV/E.II(B) dated December 1, 1988, shall continue to be applicable.
- (ii) *Weightage for Central Deputations/Training Abroad and Special Mention in Confidential Records* – The provisions contained in this Ministry's OM No.20014/16/86-E.IV/E.II(B) dated December 1, 1988, shall continue to be applicable.
- (iii) *Special (Duty) Allowance* – Central Government Civilian employees having an “All India Transfer Liability” and posted to the specified Territories in the North-Eastern Region shall be granted the Special (Duty) Allowance at the rate of 12.5 per cent of their basic pay as prescribed in this Ministry's OM No.20014/16/86-E.IV/E.II(B) dated December 1, 1988, but without any ceiling on its quantum. In other words, the ceiling of Rs.1,000 per month currently in force shall no longer be applicable and the condition that the aggregate of the Special (Duty) Allowance plus Special Pay/Deputation (Duty) Allowance, if any, will not exceed Rs.1,000 per month shall also be dispensed with. Other terms and conditions governing the grant of this Allowance shall, however, continue to be applicable.

In terms of the orders contained in this Ministry's OM No.20022/2/88-E.II(B) dated May 24, 1989, Central Government Civilian employees having an “All India Transfer Liability” and posted to serve in the Andaman Nicobar and Lakshadweep Groups of Islands are presently entitled to an Island Special Allowance at varying rates in lieu of the Special (Duty) Allowance admissible in the North-Eastern Region. This Allowance shall continue to be admissible to the specified category of Central Government employees at the same rates as prescribed for the different specified areas in the OM dated May 24, 1989, but without any ceiling on its quantum. This Allowance shall also henceforth be termed as Island Special (duty) Allowance. Separate orders in regard to this Allowance have been issued in this Ministry's OM No.12(1)/98-E.II(B) dated July 17, 1998.

Attention is also invited in this connection to the clarificatory orders contained in this Ministry's OM No.11(3)/95-E.II(B) dated January 12, 1996 which shall continue to be applicable not only in respect of the Central Government employees posted to serve in the North-Eastern Region but also to those posted to serve in the Andaman & Nicobar and Lakshadweep Groups of Islands.

- (iv) *Special Compensatory Allowances* – Orders in regard to revision of the rates of various Special Compensatory Allowances, such as, Remote Locality Allowance, Bad Climate Allowance, Tribal Area Allowance, Composite Hill Compensatory Allowance, etc., which are location-specific, have either been separately issued or are under issue based on the Government decisions on the recommendations of the Fifth Central Pay Commission relating to these allowances. These orders shall apply to the eligible Central Government employees posted in the specified localities in the North-Eastern Region, Andaman & Nicobar Islands and Lakshadweep Islands, depending on the area(s) of their posting and subject to the observance of the terms and conditions specified therein. Such of those employees who are entitled to the Special (Duty) Allowance or the Island (Special Duty) Allowance shall also be entitled,

in addition, to the Special Compensatory Allowance(s) as admissible to them in terms of these separate orders. Central Government employees entitled to Special Compensatory Allowances, separate orders in respect of which are yet to be issued, will continue to draw such allowances at the existing rates with reference to the 'notional' pay which they would have drawn in the applicable pre-revised scales of pay but for the introduction of the corresponding revised scales till the revised orders are issued on the basis of the recommendations of the Fifth Central Pay Commission and the Government decisions thereon.

- (v) *Travelling Allowance on First Appointment*—The existing concessions as provided in this Ministry's OM No.20014/3/83-E.IV dated December 14, 1983 and further liberalized in OM No.20014/16/86-E.IV/E.II(B) dated December 1, 1988, shall continue to be applicable.
 - (vi) *Travelling Allowance for Journeys on Transfer, Road Mileage for Transportation of Personal Effects on Transfer; Joining Time with Leave*—The existing provisions as contained in this Ministry's OM No,20014/3/83-E.IV dated December 14, 1983 shall continue to be applicable.
 - (vii) *Leave Travel Concession*—In terms of the existing provisions as contained in this Ministry's OM No.20014/3/83-E.IV dated December 14, 1983, the following options are available to a Government servant who leaves his family behind at the old headquarters or another selected place of residence, and who has not availed of transfer travelling allowance for the family:
 - (a) the Government servant can avail of the leave travel concession for journey to the home town once in a block period of two years under the normal Leave Travel Concession Rules;
- OR
- (b) in lieu thereof, the Government servant can avail of the facility for himself/herself to travel once a year from the station of posting to the Home Town or the place where the family is residing and for the family (restricted only to the spouse and two dependent children of age up to 18 years in respect of sons and upto 24 years in respect of daughters) also to travel once a year to visit the Government servant at the station of posting.

These special provisions shall continue to be applicable.

In addition, Central Government employees and their families posted in these territories shall be entitled to avail of the Leave Travel Concession, in emergencies, on two additional occasions during their entire service career. This shall be termed as "Emergency Passage Concession" and is intended to enable the Central Government employees and/or their families (spouse and two dependent children) to travel either to the home town or the station of posting in an emergency. This shall be over and above the normal entitlements of the employees in terms of the OM dated December 14, 1983, and the two additional passages under the Emergency Passage Concession shall be availed of by the entitled mode and class of travel as admissible under the normal Leave Travel Concession Rules.

Further, in modification of the orders contained in this Ministry's OM No. 20014/16/86-E.IV/E.II(B) dated December 1, 1988, Officers drawing pay of Rs.13,500 and above and their families, i.e., spouse and two dependent children (up to 18 years in respect of sons and up to 24 years in respect of daughters) will be permitted to travel by air on Leave Travel Concession between Agartala/Aizawl/Imphal/Lilabari/Silchar in the North-East and Calcutta and *vice versa*; between Port Blair in the Andaman & Nicobar Islands and Calcutta/Madras and *vice versa*; and between Kavaratti in the Lakshadweep Islands and Cochin and *vice versa*.

- (viii) *Children Education Allowance and Hostel Subsidy*—The existing provision as contained in this Ministry's OM No.20014/3/83-E.IV dated December 14, 1983 shall continue to be applicable. The rates of Children Education Allowance and Hostel Subsidy having been revised in the Department of Personnel & Training OM No.21017/1/97-Estt.(Allowances) dated June 12, 1998 (vide Sl.No.164 of Swamysnews, August, 1998), the Allowance and subsidy shall be payable at the revised monthly rates of Rs.100 and Rs.300 respectively per child.
- (ix) *Retention of Government Accommodation at the Last Station of Posting*—The facility of retention of Government accommodation at the last station of posting by the Central Government employees posted to the specified territories and whose families continue to stay at that station is available in terms of the orders contained in the erstwhile Ministry of Works & Housing OM No.12035/24/77-Vol.VI dated February 12, 1984, as amended from time to time. This facility shall continue to be available to the eligible Central Government employees posted in the North-Eastern Region, Andaman & Nicobar Islands and Lakshadweep Islands. In partial modification of these orders, Licence Fee for the accommodation so retained will be recoverable at the applicable normal rates in cases where the accommodation is below the type to which the employee is entitled to and at one and a half times the applicable normal rates in cases where the entitled type of accommodation has been retained. The facility of retention of Government accommodation at the last station of posting will also be admissible for a period of three years beyond the normal permissible period for retention of Government accommodation prescribed in the Rules.
- (x) *House Rent Allowance for Employees in Occupation of Hired Private Accommodation*—The orders contained in this Ministry's OM No.11016/1/E.II(B)/84 dated March 29, 1984, and extended in this Ministry's OM No.20014/16/86-E.IV/E.II(B) dated December 1, 1988 shall continue to be applicable.
- (xi) *Retention of Telephone Facility at the Last Station of Posting*—As provided in this Ministry's OM No.20014/16/86-E.IV/E.II(B) dated December 1, 1988, Central Government employees who are eligible for residential telephones may be permitted to retain their residential telephone at their last station of posting, provided the rental and all other charges are paid by the concerned employees themselves.
- (xii) *Medical Facilities*—Families and the eligible dependants of Central Government employees who stay behind at the previous stations of posting on the employees being posted to the specified territories shall continue to be eligible to avail of CGHS facilities at stations where such facilities are available. Detailed orders in this regard will be issued by the Ministry of Health & Family Welfare.

3. The President is also pleased to decide that these orders, in so far as they relate to the Central Government employees posted in the North-Eastern Region, shall also be applicable *mutatis mutandis* to the Civilian Central Government employees, including Officers of the All India Services, posted to Sikkim.

4. These orders will take effect from August 1, 1997.

5. In so far as persons serving in the Indian Audit and Accounts Department are concerned, these orders issue after consultation with the Comptroller and Auditor General of India.

(DPE O.M. No. 2(42)/97-DPE(WC)-G.XII dated 13th August, 1999)

15. Incentive for promoting Small Family norms among public sector employees following CDA pattern in 69 PSEs.

In continuation of this Department's OM of even number dated 13.8.1999 regarding pay revision of the public sector employees following CDA pattern in 69 PSEs, the undersigned is directed to convey that the Government have decided to extend the benefits of incentive for promoting small family norms to the Central Public Sector employees following CDA pattern as follows:

- (a) The Special Increment presently admissible in the form of Personal Pay to the Public Sector employees who had undergone sterilisation prior to January 1, 1996 and were drawing pay in the pre-revised pay scales shall be revised so as to be equivalent to the lowest rate of increment applicable in the relevant revised scales of pay corresponding to the pay scale of the post against which the employee concerned had initially earned the personal pay in the applicable pre-revised scale of pay.
 - (b) Such of those public sector employees who had undergone sterilisation after January 1, 1996 and had opted to come over to the revised scales of pay shall also be entitled to the Special Increment equal to the lowest rate of increment in the revised scales of pay applicable at the time of undergoing sterilisation.
 - (c) Employees who had opted to retain the pre-revised scales of the pay shall, however, be entitled to the Special Increment only at the lowest rate of increment applicable in the relevant pre-revised scale of pay. This will be revised so as to correspond to the lowest rate of increment in the applicable revised pay scale only on their switching over to the revised scales.
 - (d) The Personal Pay shall henceforth be termed as "Family Planning Allowance".
 - (e) The Family Planning Allowance for adoption of small family norms shall be admissible in future only to those public sector employees with not more than two surviving children.
2. All other terms and conditions governing the grant of this incentive shall continue to be applicable.
3. These orders will be effective from the date an employee draws pay in the revised scales of pay applicable in terms of the Central Civil Services (Revised Pay) Rules, 1997.
4. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the public enterprises for their information and necessary action.

(DPE OM No. 2(42)/97-DPE(WC)-G-XIII dated 20th September 1999)

16. Wage negotiations for workers in Central Public Sector Enterprises in respect of those CPSEs, which have opted for five year wage negotiation w.e.f 1.1.97.

The undersigned is directed to refer to DPE's OM's of even number dated 14.1.99 and 26.7.2000 on the above subject and to say that the parameters/criteria for sixth round of wage negotiation for the workers of those Central Public Sector Enterprises who had opted for a five year periodicity on wage negotiation on a general basis w.e.f 1.1.97 has been engaging the attention of the Government.

2. It has been decided by the Government that the wage negotiation for workers of such Central Public Sector Enterprises, who had opted for five year wage negotiation during the sixth round will be entitled for another five year wage negotiation. The wage negotiation may be commenced by the managements of the enterprises subject to the following conditions:-

- i. The management of the PSEs would be free to negotiate the wage structure for the employees not covered by the report of Justice Mohan Committee in respect of pay revision in CPSEs, keeping in view and consistent with the generation of resources/ profits by the concerned enterprises.
- ii. No budgetary support for the wage increase shall be provided by the Government.
- iii. For PSEs which are monopolies or near monopolies or operate under an administered price mechanism, it must be ensured that any increase in wages after negotiations does not result in increase in administered prices of their goods and services.
- iv. The wage revision shall be subject to the condition that there shall be no increase in labour cost per physical unit of output. There may be exceptions where units were already working at optimum capacity considering industry wide norms. In such cases the administrative Department may consult DPE.
- v. As regards sick units registered with BIFR, until BIFR approves revival plan of such enterprises in which provisions have been made for additional expenditure on account of pay revision, no revision of pay would be allowed to the workers of such enterprises.
- vi. The workers drawing basic pay upto Rs.6550/- per month shall be entitled for neutralization of DA at 100% of basic pay and those drawing basic pay beyond Rs.6550/- per month shall be entitled for 75% neutralization of DA. The amount of DA drawn upto the basic pay of Rs.6550/- would be protected in the subsequent stages of basic pay in case the amount of DA calculated on the basis of 75% neutralization is less than what was drawn at the basic pay of Rs.6550/-.
- vii. The management have to ensure that negotiated scales of pay would not come in conflict with the existing scales of pay of executives/ officers and non-unionized supervisors.
- viii. The validity period of wage settlement would be for five years w.e.f 1.1.2002. The workers of the Central PSEs who have opted for five-year periodicity of wage negotiation w.e.f 1.1.97 will necessarily go in for negotiation for another 5 year periodicity (from 1.1.2002 to 31.12.2006) and not for 10 years.
- ix. The Public Enterprises should implement negotiated wages after confirming to their administrative Ministry and the Department of Public Enterprises that the revision is within these approved parameters.

3. All the administrative Ministries/ Departments are requested to issue suitable instructions to the public sector enterprises under their administrative control in the light of the above decision of the Government under intimation to this Department.

(DPE O.M. No.2/11/96-DPE (WC)-GL-I dated 11th February, 2004)

17. Policy for the 7th Round of Wage Negotiations for unionized workers in Central Public Sector Enterprises w.e.f. 1.1.2007

The undersigned is directed to convey the decision of the Government that the next round of wage negotiations (which falls due on a general basis from 1.1.2007) with the workers of Central Public Sector Enterprises (CPSE) may be undertaken by the Managements of the Enterprises with the Trade Unions/Associations.

2. The wage negotiation and finalization will be subject to the following conditions:-

- (i) The managements of the CPSEs would be free to negotiate the wage structure, for the unionised workmen keeping in view and consist with the generation of the resources/profits by the concerned enterprises.
- (ii) No budgetary support for the wage increase shall be provided by the Government under any circumstance. The resources for meeting the increased obligation for implementation of wage revision must be internally generated and must come from improved performance in terms of productivity and profitability and not from Government subvention.
- (iii) For CPSEs which are monopolies/near monopolies or operate under an administered price structure, it must be ensured that any increase in wages after negotiation does not result in increase in the administered prices of their goods and services.
- (iv) The validity period of wage settlement would be for ten years with 100% DA neutralization w.e.f. 1.1.2007. The revision shall be subject to the condition that there shall be no increase in labour cost per physical unit of output. There may be rare exceptions, where units would already be working at optimum capacity considering industry-wide norms. In such cases the administrative Department may consult this Department.
- (v) As regards sick CPSE registered with Board for Industrial and Financial Reconstruction (BIFR), until BIFR approves the revival plan for such enterprise in which provision has been made for additional expenditure on account of wage revision, no revision of wage would be allowed to the employees of such CPSEs.
- (vi) In case of sick/incipient sick CPSEs referred to Board for Reconstruction of Public Sector Enterprises (BRPSE), the wage revision would be considered on the basis of final decision on the recommendations of BRPSE.
- (vii) CPSEs which incurred net loss during any of the three financial years preceding the proposed wage negotiation, but not referred to BIFR/BRPSE may also be allowed to enter into wage negotiation, provided they give an estimate to their administrative Ministry/Department as to how resources would be generated by them to meet the extra expenditure arising out of implementation of wage revision.
- (viii) The CPSEs may implement the negotiated wages after confirming to their administrative Ministry and the Department of Public Enterprises that the revisions are within these approved parameters, and that it has been ensured that such negotiated wages would not come in conflict with the pay revision of officers and non-unionized supervisors of the respective CPSE.

3. All the administrative Ministries/Departments are requested to issue suitable instructions to the CPSEs under their administrative control in the light of the above decision of the Government under intimation to this Department.

[DPE O.M. No. 2(7)/2006-DPE(WC) -GL-XIV Dated 9th November, 2006]

18. 2nd Pay Revision Committee

The undersigned is directed to say that the 2nd Pay Revision Committee for revision of pay scales and other emoluments of Central Public Sector Enterprises executives has been set up. A copy of the Gazette Notification No. 2(10)/06-DPE (WC) dated 1.12.2006 indicating the composition of the Committee and its terms of reference is enclosed. The copy of the resolution is also available at the website <http://dpe.nic.in>.

MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (Department of Public Enterprises) RESOLUTION

New Delhi, the 30th November, 2006

No. 2(10)/06/DPE-WC.—The Government of India have been considering for some time past the changes that have taken place in the structure of emoluments of Public sector executives over the years. Conditions have also changed in several respects since the last pay revision made with effect from 1-1-1997.

2.1 The competent authority has decided to appoint the Pay Revision Committee which comprises of the following:

Chairman	Mr. Justice M.J. Rao (Retired Judge, Supreme Court of India)
Members	(1) Dr. Nitish Sen Gupta (Economist & Former Member Secretary, Planning Commission, Government of India) (2) Shri P.C. Parakh (Former Secretary, Department of Coal, Government of India) (3) Shri R.S.S.L.N. Bhaskarudu (Former Managing Director, Maruti Udyog Ltd. & Ex-Chairman, Public Enterprises Selection Board)
Ex-Officio Member Secretary	(4) Secretary, Department of Public Enterprises, Government of India Joint Secretary, Department of Public Enterprises, Government of India

2.2 The Terms of Reference of the Committee will be as follows.

2.2.1 The Committee will examine the principles that should govern present structure of pay, allowances, perquisites, and benefits for the following categories of Central Government Public Sector Enterprises (CPSEs) executives, taking into account the total package of benefits available to them including non-monetary ones, and suggest changes therein which may be desirable and feasible:

- (i) Board level functionaries
- (ii) Below Board level executives
- (iii) Non-unionised supervisory staff

2.2.2 The Committee will make recommendations so as to transform the CPSEs into modern, professional, citizen-friendly and successful commercial entities that are also dedicated to the service of the people.

2.2.3 The Committee will work out a comprehensive pay package for the categories of employees of CPSEs mentioned at sub-para 2.2.1 that is suitably linked to promoting efficiency, productivity and economy through rationalization of structures, organizations, systems and processes as well as promoting functional and operational autonomy within the Public Sector Enterprises with a view to leveraging economy, responsibility,

transparency, discipline, accountability, assimilation of technology and research and development. The existing patterns of scales based on Central Dearness Allowance (CDA) pattern or Industrial Dearness Allowance (IDA) pattern, categorization of CPSEs such as Schedule 'A', 'B', 'C', 'D', Miniratna, Navratna, loss, profit making CPSEs and CPSEs referred to BIFR or BRPSE may also be taken into account while evolving suitable pay packages. The Committee will also examine the issue concerning separate pay revision guidelines in respect of Navratna CPSEs.

2.2.4 The Committee will make recommendations to harmonize the functioning of the CPSEs with the demands of the emerging national and global economic scenario. This would also take into account, among other relevant factors, the totality of benefits available to the employees, need of rationalization and simplification thereof, the prevailing pay structure and retirement benefits available under the Central Public Sector Enterprises, the economic conditions in the country, the need to observe financial prudence in the management of the CPSEs, the resources of the CPSEs and the demands thereon on account of economic and social development and the global economic scenario and competitive environment.

2.2.5 The Committee will examine and make recommendations with respect to the general principles, financial parameters and conditions which should govern the desirability, feasibility and continuation/modification of the Productivity Linked Incentives Scheme and Performance Related Payments.

2.2.6 While finalizing its report, the Committee will also take into account the report of the Sixth Pay Commission.

3. The Committee will devise its own procedures as it may consider necessary. Ministries and Departments of the Government of India and State Governments will furnish such relevant information and documents as may be required by the Committee and which they are in a position and at liberty to give, and extend the necessary cooperation and assistance to it.

4. The Committee will make its recommendations to the Government within a period of 18 months and it will have its headquarters in Delhi.

5. The decision of the Government on the recommendations of the Committee will take effect from 1.1.2007.

6. The Committee will be serviced by the Department of Public Enterprises.

[DPE O.M. No. 2(10)/06-DPE (WC) Dated 8th December, 2006]

19. Policy for the 7th Round of Wage Negotiations for Unionized Workmen in Central Public Sector Enterprises (CPSEs) - periodicity of Wage Settlement.

The undersigned is directed to refer O.M. of even number dated 9.11.2006 regarding policy for 7th Round of Wage Negotiations for Unionised Workers in CPSEs w.e.f. 1.1.2007. Para 9(iv) of the OM. dated 9.11.2006 provides for validity period of wage settlement from 10 years with 100% DA neutralization w.e.f. 1.1.2007. Considering the demands of various Unions/Associations of CPSEs, the Government has decided that the validity of Wage Settlement can be for a period less than 10 years but not less than 5 years. The other provisions of the guidelines given in the above mentioned OM. dated 9.11.2006 will continue. The Administrative Ministries/Departments concerned with the CPSEs may take a decision on a case by case basis for the Periodicity of Wage Settlement below 10 years but not less than 5 years, with the approval of their Minister.

2. This issues with the approval of Minister for Heavy Industries & Public Enterprises

[DPE O.M. No. 2(7)/06-DPE (WC) - GL VI Dated 1st May 2008]

20. Representation from Committee of Public Sector Trade Union (CPSTU) with regard to wage negotiations and other related issues pertaining to workmen of CPSEs.

Representations have since been received from various organisations forwarding a joint declaration dated 17.2.2008 and 18.2.2008 adopted by Committee of Public Sector Trade Union (CPSTU). CPSTU comprises of AITUC, CITU and HMS. The demands listed out inter alia include tenure of the wage agreement to be not more than five years and Merger of DA equal to 50% of the basic pay to be with effect from 1.4.2004. The declaration lists out an action programme for pressing their demands.

2. CPSE employees through various associations like National Confederation of Officers' Association (NCOA) Oil Sector Officers' Association (OSOA) and others had earlier also raised the issue of merger of 50% DA with the basic pay. The Government has since merged the DA w.e.f. 1.1.2007, based on the recommendations of the 2nd Pay Revision Committee. It may be mentioned that 1st Pay Revision Committee (Justice Mohan Committee) had not recommended any merger of DA with the basic pay at any point of time. The recommendation of the 2nd Pay Revision Committee as and when accepted by the Government of India will be effective only from 1.1.2007 and as such after due consideration the 2nd Pay Revision Committee had recommended the merger of 50% DA with the basic pay from 1.1.2007, which was accepted by the Government.

3. As regards periodicity of wage revision in respect of unionised workmen, the Policy for the 7th Round of wage negotiations provides for a 10 year periodicity. However, considering the demands from various associations/unions, the guidelines have since been issued to the Administrative Ministries/Departments to consider the claims for altering the period of settlement (not less than 5 years) from workmen's unions of CPSEs on a case by case basis and to decide with the approval of their Minister, (Copy of O.M. dated 1st May, 2008 enclosed).

4. The Administrative Ministries/Departments are requested to handle the situation individually and if necessary may advise the management of CPSEs to explain to the concerned associations/trade unions the position.

5. This issues wit the approval of Minister for Heavy Industries & Public Enterprises.

[DPE O.M. No. 2(7)/05-DPE (WC)-Part-GL-VII Dated 1st May 2008]

21. Grant of increment (s) or pay revision of executives with retrospective effect by CPSEs.

The undersigned is directed to refer to the subject noted above. Based on the recommendations of Justice Mohan Committee (1st Pay Revision Committee), pay scales for the executives and non-unionized supervisors of CPSEs were revised w.e.f. 1.1.1997, for a period of 10 years. Accordingly, the next pay revision fell due w.e.f. 1.1.2007, for which the Government had constituted 2nd Pay Revision Committee (2nd PRC) on 30.11.2006, headed by Justice M. Jagannadha Rao. The 2nd PRC submitted its report on 30.5.2008, to the Government and the Report was also placed on this Department's website.

2. It has been noticed recently that some CPSEs have granted extra-ordinary increments and/or increased the pay of executives with retrospective effect. The Government orders on the revision of pay of executives of CPSEs are yet to be issued. Any orders granting out of turn increments/pay revision in respect of executives/non-unionized supervisors in CPSEs with retrospective effect, while the decision in respect of pay revision of executives of CPSEs is yet to be taken, amount to circumventing the Government decision to be taken on the recommendations of the Committee. It also works against the interests of executives in CPSEs, which abide by Government guidelines in respect of pay revision. Administrative Ministries/Departments concerned with the

CPSEs may issue strict instructions to the Chief Executives of CPSEs and Government Directors on the Board of CPSEs that no such decisions are taken by the Boards of CPSEs.

3. This issues with the approval of Secretary, DPE.

[DPE O.M. NO. 2(56)/08-DPE(WC)-GL -X/08 Dated 16th September, 2008]

22. Pay revision of CPSEs employees following CDA pattern in 69 Central Public Sector Enterprises.

On the recommendations of High Power Pay Committee (HPPC), and the Supreme Court's Judgment dated 03.05.1990 in CMP No. 10864/1989, DPE had issued OM No. 2(43)/90-DPE (WC) dated 12.06.1990, implementing the Central Government pay scales to the employees of Public Sector Enterprises following CDA pattern in 69 CPSEs as indicated in Annexure IV of said OM dated 12.06.90. The DPE, vide OM dated 24.10.1997 further revised the pay and allowances of said 69 CPSEs following CDA pattern. Consequent to the issue of notification dated 29.08.2008 by the Department of Expenditure; Ministry of Finance on the revision of pay scales of the Central Government Employees w.e.f. 01.01.2006, the pay scales in respect of the Public Sector employees following CDA pattern of pay in 69 Public Sector Enterprises would also be revised w.e.f. 01.01.2006 as per the judgment dated 3.5.90 of Supreme Court on recommendations of the HPPC.

2. The pay scales of the employees of said 69 CPSEs following CDA pattern will be revised w.e.f. 01.01.2006 as per Annexure 1 (copy enclosed). The rates of HRA, CCA will be as per Ann-V (copy enclose). The rates of Dearness Allowance will be as per Annexure-III (copy enclosed). Order in connection with the revision of other allowances will be issued separately.

3. The benefit of pay revision may be allowed only to employees of those CPSEs that are not loss making and are in a position to absorb the additional expenditure on account of pay revision from their own resources without any budgetary support from the Government. The Board of Directors would consider the proposal of pay revision of all the employees in the CPSE, keeping in mind the affordability and capacity of the CPSE to pay and submit a proposal to its Administrative Ministry/Department, which will approve the proposal with the concurrence. of its Financial Advisor. In respect of Food Corporation of India, the concurrence of Department of Expenditure would also be required.

4. All Administrative Ministries/Department of the Government of India are requested to bring the foregoing to the notice of CPSEs under their Administrative control, who are following CDA pattern of scales for their information and necessary action.

NOTIFICATION

New Delhi, the 29th August, 2008

G.S.R. 622(E).—In exercise of the powers conferred by the proviso to article 309, and clause (5) of article 148 of the Constitution and after consultation with the Comptroller and Auditor General in relation to persons serving in the Indian Audit and Accounts Department, the President hereby makes the following rules, namely:-

1. Short title and commencement:-

- (1) These rules may be called the Central Civil Services (Revised Pay) Rules, 2008.
- (2) They shall be deemed to have come into force on the 1st day of January, 2006.

2. *Categories of Government servants to whom the rules apply:-*

- (1) Save as otherwise provided by or under these rules, these rules shall apply to persons, appointed to civil services and posts in connection with the affairs of the Union whose pay is debitable to the Civil Estimates as also to persons serving in the Indian Audit and Accounts Department.
- (2) These rules shall not apply to:-
 - (i) persons appointed to the Central Civil Services and posts in Group 'A', 'B', 'C' and 'D' under the administrative control of the Administrator of the Union Territory of Chandigarh;
 - (ii) Persons locally recruited for service in Diplomatic, consular or other Indian establishments in foreign countries.
 - (iii) persons not in whole-time employment;
 - (iv) persons paid out of contingencies;
 - (v) persons paid otherwise than on a monthly basis including those paid only on a piece-rate basis;
 - (vi) persons employed on contract except where the contract provides otherwise;
 - (vii) persons re-employed in Government service after retirement;
 - (viii) any other class or category of persons whom the President may, by order, specifically exclude from the operation of all or any of the provisions contained in these rules.

3. *Definitions*-In these rules, unless the context otherwise requires-

- (1) "existing basic pay" means pay drawn in the prescribed existing scale of pay, including stagnation increments(s), but does not include any other type of pay like 'special pay', etc.
- (2) "existing scale" in relation to a Government servant means the present scale applicable to the post held by the Government servant (or, as the case may be, personal scale applicable to him) as on the 1st day of January, 2006 whether in a substantive or officiating capacity.

Explanation- In the case of a Government servant, who was on the 1st day of January, 2006 on deputation out of India or on leave or on foreign service, or who would have on that date officiated in one or more lower posts but for his officiating in a higher post, "existing scale" includes the scale applicable to the post which he would have held but for his being on deputation out of India or on leave or on foreign service or, as the case may be, but for his officiating in a higher post;

- (3) "existing emolument" means the sum of (i) existing basic pay, (ii) dearness pay appropriate to the basic pay and (iii) dearness allowance appropriate to the basic pay + dearness pay at index average 536 (1982=100).
- (4) "present scale" in relation to any post/grade specified in column 2 of the First Schedule means the scale of pay specified against the post in column 3 thereof;
- (5) "pay in the pay band" means pay drawn in the running pay bands specified in column 5 of the first schedule.
- (6) "grade pay" is the fixed amount corresponding to the pre-revised pay scales/posts.

<p>(7)</p> <p>(8)</p> <p>(9)</p> <p>(10)</p>	<p>"revised pay structure" in relation to any post specified in column 2 of the First Schedule means the pay band and grade pay specified against that post or the pay scale specified in column 5 & 6 thereof, unless a different revised pay band and grade pay or pay scale is notified separately for that post.</p> <p>"basic pay" in the revised pay structure means the pay drawn in the prescribed pay band plus the applicable grade pay but does not include any other type of pay like special pay, etc.</p> <p>In the case of Government servants in the pay scales of HAG+, apex scale and the Cabinet secretary's scale, basic pay means the pay in the prescribed scale.</p> <p>" revised emoluments" means the pay in the pay band plus the grade pay of a Government servant in the revised pay structure or the basic pay in HAG+& above and includes the revised non-practising allowance, if any, admissible to him, in addition.</p> <p>"Schedule" means a schedule annexed to these rules.</p>
<p>4.</p>	<p>Scale of pay of posts- The pay band and grade pay or the pay scale, as applicable, of every post/grade specified in column 2 of the First Schedule shall be as specified against it in column 5 & 6 thereof.</p>
<p>5.</p>	<p>Drawal of pay in the revised pay structure-Save as otherwise provided in these rules, a Government servant shall draw pay in the revised pay structure applicable to the post to which he is appointed;</p>
	<p>Provided that a Government servant may elect to continue to draw pay in the existing scale until the date on which he earns his next or any subsequent increment in the existing scale or until he vacates his post or ceases to draw pay in the scale.</p>
	<p>Provided further that in cases where a Government servant has been placed in a higher pay scale between 1.1.2006 and the date of notification of these Rules on account of promotion, upgradation of pay scale etc., the Government servant may elect to switch over to the revised pay structure from the date of such promotion, upgradation, etc.,</p>
	<p><i>Explanation 1-</i> The option to retain the existing scale under the provisos to this rule shall be admissible only in respect of one existing scale.</p>
	<p><i>Explanation 2-</i> The aforesaid option shall not be admissible to any person appointed to a post on or after the 1st day of January, 2006, whether for the first time in Government service or by transfer from another post and he shall be allowed pay only in the revised pay structure.</p>
	<p><i>Explanation 3-</i> Where a Government servant exercises the option under the provisos to this rule to retain the existing scale in respect of a post held by him in an officiating capacity on a regular basis for the purpose of regulation of pay in that scale under Fundamental Rule 22, or any other rule or order applicable to that post, his substantive pay shall be substantive pay which he would have drawn had he retained the existing scale in respect of the permanent post on which he holds a in lien or would have held a lien had his lien not been suspended or the pay of the officiating post which has acquired the character of substantive pay in accordance with any order for the time being in force whichever is higher.</p>
<p>6.</p>	<p>Exercise of Option-</p>
<p>(1)</p>	<p>The option under the provisos to Rule 5 shall be exercised in writing in the form appended to the Second Schedule so as to reach the authority mentioned in sub rule (2) within three months of the date of publication of these rules or where an existing scale has been revised</p>

by any order made subsequent to that date, within three months of the date of such order.

Provided that-

- (i) in the case of a Government servant who is, on the date of such publication or, as the case may be, date of such order, out of India on leave or deputation or foreign service or active service, the said option shall be exercised in writing so as to reach the said authority within three months of the date of his taking charge of his post in India; and
 - (ii) where a Government servant is under suspension on the 1st day of January, 2006, the option may be exercised within three months of the date of his return to his duty if that date is a later than the date prescribed in this sub-rule.
- (2) The option shall be intimated by the Government servant to the Head of his Office.
 - (3) If the intimation regarding option is not received within the time mentioned in sub-rule (1), the Government servant shall be deemed to have elected to be governed by the revised pay structure with effect on and from the 1st day of January, 2006.
 - (4) The option once exercised shall be final.

Note 1- Persons whose services were terminated on or after the 1st January, 2006 and who could not exercise the option within the prescribed time limit, on account of discharge on the expiry of the sanctioned posts, resignation, dismissal or discharge or disciplinary grounds, are entitled to the benefits of this rule.

Note 2- Persons who have died on or after the 1st day of January, 2006 and could not exercise the option within the prescribed time limit are deemed to have opted for the revised pay structure on and from the 1st day of January, 2006 or such later date as is most beneficial to their dependents, if the revised pay structure is more favourable and in such cases, necessary action for payment of arrears should be taken by the Head of Office.

Note 3- Persons who were on earned leave or any other on 1.1.2006 which entitled them to leave salary will be allowed the benefits of this rule.

7. Fixation of initial pay in the revised pay structure:

- (1) The initial pay of a Government servant who elects, or is deemed to have elected under sub-rule (3) of rule 6 to be governed by the revised pay structure on and from the 1st day of January, 2006, shall, unless in any case the President by special order otherwise directs, be fixed separately in respect of his substantive pay in the permanent post on which he holds a lien or would have held a lien if it had not been suspended, and in respect of his pay in the officiating post held by him, in the following manner, namely:-

(A) in the case of all employees:-

- (i) the pay in the pay band/pay scale will be determined by multiplying the existing basic pay as on 1.1.2006 by a factor of 1.86 and rounding off the resultant figure to the next multiple of 10.
- (ii) if the minimum of the revised pay band/pay scale is more than the amount arrived at as per (i) above, the pay shall be fixed at the minimum of the revised pay band/pay scale;

Provided further that:-

Where, in the fixation of pay, the pay of Government servants drawing pay at two or more consecutive stages in an existing scale gets bunched, that is to say, gets fixed in the revised pay structure at the same stage in the pay band, then, for every two stages so bunched, benefit of one increment shall be given so as to avoid bunching of more than two stages in the revised running pay bands. For this purpose, the increment will be calculated on the pay in the pay band. Grade pay would not be taken into account for the purpose of granting increments to alleviate bunching.

In the case of pay scales in higher administrative grade (HAG) in the pay band PB-4, benefit of increments due to bunching shall be given taking into account all the stages in different pay scales in this grade. In the case of HAG+ scale, benefit of one increment for every two stages in the pre-revised scale will be granted in the revised pay scale.

If by stepping up of the pay as above, the pay of a Government servant gets fixed at a stage in the revised pay band/pay scale (where applicable) which is higher than the stage in the revised pay band at which the pay of a Government servant who was drawing pay at the next higher stage or stages in the same existing scale is fixed, the pay of the latter shall also be stepped up only to the extent by which it falls short of that of the former.

- (iii) The pay in the pay band will be determined in the above manner. In addition to the pay in the pay band, grade pay corresponding to the existing scale will be payable.

Note- Illustration 1 on the above is provided in the Explanatory Memorandum to these Rules.

- (B) In the case of employees who are in receipt of special pay/allowance in addition to pay in the existing scale which has been recommended for replacement by a pay band and grade pay without any special pay/allowance, pay shall be fixed in the revised pay structure in accordance with the provisions of clause (A) above.
- (C) In the case of employees who are in receipt of special pay component with any other nomenclature in addition to pay in the existing scales, such as personal pay for promoting small family norms, special pay to Parliament Assistants, Central (Deputation on Tenure) Allowance, etc., and in whose case the same has been replaced in the revised pay structure with corresponding allowance/pay at the same rate or at a different rate, the pay in the revised pay structure shall be fixed in accordance with the provisions of clause (A) above. In such cases, the allowance at the new rate as recommended shall be drawn in addition to pay in the revised pay structure from the date specified in the individual notification related to these allowances.
- (D) In the case of medical officers who are in receipt of non-practising allowance, the pay in the revised pay structure shall be fixed in accordance with the provisions of clause (A) above except that, in such case, the pre-revised dearness allowance appropriate to the non-practising allowance admissible at index average 536 (1982=100) shall be added while fixing the pay in the revised pay band, and in such cases, non-practising allowance at the new rates shall be drawn with effect from 1.1.2006 or the date of option for revised pay structure in addition to the pay so fixed in the revised pay structure. Illustration 2 in this regard is at in the Explanatory Memorandum to these Rules.

Note 1- (a) In the Case of Group D employees, the pay in the revised pay structure will be fixed initially in the 1S pay band as per Clause (A) above with the appropriate grade pay and arrears paid accordingly. Thereafter, pay of such of those Group D employees who already possess the revised minimum qualifications recommended by the Commission prescribed for entry into PB-1 would be fixed with effect from 1.1.2006 in PB-1 with grade pay of Rs.1800.

- (b) Such of those existing Group D employees who do not possess the revised minimum qualification for entry into PB-1 would be retrained by the concerned Department preferably within a period of six months so that payment of arrears on account of upgradation are not delayed. After re-training, these Group D staff will also be placed in the Pay Band PB-1 with the grade pay of Rs.1800 with effect from 1.1.2006 and arrears drawn accordingly. Once placed in the PB-1 Pay Band, this category of Group D staff will regain their seniority vis-a-vis the other category of Group D staff that already possessed the minimum qualification and were, therefore placed in the PB-1 Pay Band as on 1.1.2006. Inter-se seniority of all the employees in erstwhile Group D will be fully maintained with Group D employee in a higher pre-revised pay scale being placed higher vis-a-vis an employee in a lower pay scale. Within the same pre-revised pay scale, seniority which existed prior to revision would continue.
- (c) Arrears shall be payable with effect from 1.1.2006 in both the cases i.e. to those Group D employees who possess the qualifications and are placed in PB-1 straight away and those Group D employees who do not possess the qualification and are placed after re-training Illustration 3 in regard to fixation of pay for Group D staff in the Explanatory Memorandum to these Rules.

Note 2A- Where a post has been upgraded as a result of the recommendations of the Sixth CPC as indicated in Part B or Part C of the First Schedule to these Rules, the fixation of pay in the applicable pay band will be done in the manner prescribed in accordance with Clause (A) (i) and (ii) of Rule 7 by multiplying the existing basic pay as on 1.1.2006 by a factor of 1.86 and rounding the resultant figure to the next multiple of ten. The grade pay corresponding to the upgraded scale as indicated in Column 6 of Part B or C will be payable in addition. Illustration 4A in this regard is in the Explanatory Memorandum to these Rules.

Note 2B-In the case of merger of pay scales, pay in the revised pay bands will be fixed in the manner prescribed in accordance with Clause (A) (i) and (ii) of Rule 7 by multiplying the existing basic pay as on 1.1.2006 by a factor of 1.86 and rounding the resultant figure to the next multiple of ten. The grade pay corresponding to the merged scale as indicated in Column 6 of Part B or C will be payable in addition. Illustration 4B in this regard is in the Explanatory Memorandum to these Rules.

Note 3- A Government servant who is on leave on the 1st day of January, 2006 and is entitled to leave salary shall become entitled to pay in the revised pay structure from 1.1.2006 or the date of option for the revised pay structure. Similarly, where a government servant is on study leave on the first day of January, 2006 he will be entitled to the benefits under these Rules from 1.1.2006 or the date of option.

Note 4- A Government servant under suspension, shall continue to draw subsistence allowance based on existing scale of pay and his pay in the revised pay structure will be subject to the final order on the pending disciplinary proceedings.

Note 5- Where a Government servant is holding a permanent post and is officiating in a higher post on a regular basis and the scales applicable to these two posts are merged into one scale, the pay shall be fixed under this sub-rule with reference to the officiating post only, and the pay so fixed shall be treated as substantive pay.

The provisions of this Note shall apply mutatis mutandis, to Government servants holding in an officiating capacity, posts on different existing scales which have been replaced by the revised pay structure.

Note 6- Where the existing emoluments exceed the revised emoluments in the case of any Government servant, the difference shall be allowed as personal pay to be absorbed in future increases in pay.

Note 7- Where in the fixation of pay under sub-rule (1) the pay of a Government servant, who, in the existing scale was drawing immediately before the 1st day of January, 2006 more pay than another Government servant junior to him in the same cadre, gets fixed in the revised pay band at a stage lower than that of such junior, his pay shall be stepped upto the same stage in the revised pay band as that of the junior.

Note 8- Where a Government servant is in receipt of personal pay on the 1st day of January, 2006, which together with his existing emoluments exceeds the revised emoluments, then, the difference representing such excess shall be allowed to such Government servant as personal pay to be absorbed in future increases in pay.

Note 9- In the case of employees who are in receipt of personal pay for passing Hindi Pragya, Hindi Typewriting, Hindi Shorthand and such other examinations under the "Hindi Teaching Scheme", or on successfully undergoing training in cash and accounts matters prior to the 1st day of January, 2006, while the personal pay shall not be taken into account for purposes of fixation of initial pay in the revised pay structure, they would continue to draw personal pay after fixation of their pay in the revised pay structure on and from the 1st day of January, 2006 or subsequently for the period for which they would have drawn it but for the fixation of their pay in the revised pay structure. The quantum of such personal pay would be paid at the appropriate rate of increment in the revised pay structure from the date of fixation of pay for the period for which the employee would have continued to draw it.

*Explanation-*For the purpose of this Note "appropriate rate of increment in the revised pay structure" means 3% of the sum of the pay in the pay band and the grade pay at the stage at which the pay of the employee is fixed in the revised pay structure.

Note 10- In cases where a senior Government servant promoted to a higher post before the 1st day of January, 2006 draws less pay in the revised pay structure than his junior who is promoted to the higher post on or after the 1st day of January, 2006, the pay in the pay band of the senior Government servant should be stepped up to an amount equal to the pay in the pay band as fixed for his junior in that higher post. The stepping up should be done with effect from the date of promotion of the junior Government servant subject to the fulfillment of the following conditions, namely:-

- (a) both the junior and the senior Government servants should belong to the same cadre and the posts in which they have been promoted should be identical in the same cadre.
- (b) the pre-revised scale of pay and the revised grade pay of the lower and higher posts in which they are entitled to draw pay should be identical.
- (c) the senior Government servants at the time to promotion should have been drawing equal or more pay than the junior.
- (d) the anomaly should be directly as a result of the application of the provisions of Fundamental Rule 22 or any other rule or order regulating pay fixation on such promotion in the revised pay structure. If even in the lower post, the junior officer was drawing more pay in the pre-revised scale than the senior by virtue of any advance increments granted to him, provision of this Note need not be invoked to step up the pay of the senior officer.

(2) Subject to the provisions of rule 5, if the pay as fixed in the officiating post under sub-rule (1) is lower than the pay fixed in the substantive post, the former shall be fixed at the same stage as the substantive pay.

8. *Fixation of pay in the revised pay structure of employees appointed as fresh recruits on or after 1.1.2006*—Section II of Part A of the First Schedule of these Rules indicates the entry level pay in the pay band at which the pay of direct recruits to a particular post carrying a specific grade pay will be fixed on or after 1.1.2006.

This will also be applied in the case of those recruited between 1.1.2006 and the date of issue of this Notification. In such cases, where the emoluments in the pre-revised pay scale(s) [i.e., basic pay in the pre-revised pay scale(s) plus Dearness Pay plus Dearness Allowance applicable on the date of joining] exceeds the sum of the pay fixed in the revised pay structure and the applicable dearness allowance thereon, the difference shall be allowed as personal pay to be absorbed in future increments in pay.

9. *Rate of increment in the revised pay structure*—The rate of increment in the revised pay structure will 3% of the sum of the pay in the pay band and grade pay applicable, which will be rounded off to the next multiple of 10. The amount of increment will be added to the existing pay in the pay band. *Illustration 5* in this regard is in the Explanatory Memorandum to these Rules. In the case of PB-3, variable rates of increment at 3% and 4% have been provided. The higher rate of increment will be granted to not more than 20% of the strength of officers in PB-3.

10. *Date of next increment in the revised pay structure*—There will be a uniform date of annual increment, viz. 1st of July of every year. Employees completing 6 months and above in the revised pay structure as on 1st of July will be eligible to be granted the increment. The first increment after fixation of pay on 1.1.2006 in the revised pay structure will be granted on 1.7.2006 for those employees for whom the date of next increment was between 1st July, 2006 to 1st January, 2007.

Provided that in the case of persons who had been drawing maximum of the existing scale for more than a year as on the 1st day of January, 2006, the next increment in the revised pay structure shall be allowed on the 1st day of January, 2006. Thereafter, the provision of Rule 10 would apply.

Provided that in cases where an employee reaches the maximum of his pay band, shall be placed in the next higher pay band after one year of reaching such a maximum. At the time of placement in the higher pay band, benefit of one increment will be provided. Thereafter, he will continue to move in the higher pay band till his pay in the pay band reaches the maximum of PB-4, after which no further increments will be granted.

Note 1- In cases where two existing scales, one being a promotional scale for the other, are merged, and the junior Government servant, now drawing his pay at equal or lower stage in the lower scale of pay, happens to draw more pay in the pay band in the revised pay structure than the pay of the senior Government servant in the existing higher scale, the pay in the pay band of the senior government servant shall be stepped up to that of his junior from the same date and he shall draw next increment in accordance with Rule 10.

11. *Fixation of pay in the revised pay structure subsequent to the 1st day of January, 2006*—Where a Government servant continues to draw his pay in the existing scale and is brought over to the revised pay structure from a date later than the 1st day of January, 2006, his pay from the later date in the revised pay structure shall be fixed in the following manner:-

- (i) Pay in the pay band will be fixed by adding the basic pay applicable on the later date, the dearness pay applicable on that date and the pre-revised dearness allowance based on rates applicable as on 1.1.2006. This figure will be rounded off to the next multiple of 10 and will then become the pay in the applicable pay band. In addition to this, the grade pay corresponding

to the pre-revised pay scale will be payable. Where the Government servant is in receipt of special pay or non-practising allowance, the methodology followed will be as prescribed in Rule 7 (i), (B), (C) or (D) as applicable, except that the basic pay and dearness pay to be taken into account will be the basic pay and dearness pay applicable as on that date but dearness allowance will be calculated as per rates applicable on 1.1.2006.

12. *Fixation of pay on reappointment after the 1st day of January, 2006 to a post held prior to that date*—A Government servant who had officiated in a post prior to the 1st day of January, 2006 but was not holding that post on that date and who on subsequent appointment to that post draws pay in the revised pay structure shall be allowed the benefit of the proviso to Fundamental Rule 22, to the extent it would have been admissible had he been holding that post on the 1st day of January, 2006, and had elected the revised pay structure on and from that date.

13. *Fixation of pay on promotion on or after 1.1.2006*—In case of promotion from one grade pay to another in the revised pay structure, the fixation will be done as follows:—

- (i) One increment equal to 3% of the sum of the pay in the pay band and the existing grade pay will be computed and rounded off to the next multiple of 10. This will be added to the existing pay in the pay band. The grand pay corresponding to the promotion post will thereafter be granted in addition to this pay in the pay band. In case where promotion involves change in the pay band also, the same methodology will be followed. However, if the pay in the pay band after adding the increment is less than the minimum of the higher pay band to which promotion is taking place, pay in the pay band will be stepped to such minimum.
- (ii) In the case of promotion from PB-4 to HAG+, after adding one increment in the manner prescribed in Rule 9, the pay in the pay band and existing grade pay will be added and the resultant figure will become the basic pay in HAG+. This shall not exceed Rs. 80,000, the maximum of the scale. For Government servants in receipt of NPA, pay plus NPA will not exceed Rs. 85,000.

14. *Mode of payment of arrears of pay*—The arrears shall be paid in case in two instalments. The first instalment should be restricted to 40% of the the total arrears. The remaining 60% of arrears should be paid during the next financial year.

Explanation— For the purposes of this rule:

- (a) "arrears of pay" in relation to a Government servant, means the difference between:
 - (i) the aggregate of the pay and allowances to which he is entitled on account of the revision of his pay and allowances under these rules, for the relevant period. Revised allowances (except for dearness allowance and non-practising allowance) will be payable only with effect from 1.9.2008; and
 - (ii) the aggregate of the pay and allowances to which he would have been entitled (whether such pay and allowances had been received or not) for that period had his pay and allowances not been so revised.
- (b) "relevant period" means the period commencing on the 1st day of January, 2006 and ending with the 31st August, 2008.

15. *Overriding effect of Rules*—The provisions of the Fundamental rules, the Central Civil Services (Revision of Pay) Rules, 1947, the Central Civil Services (Revised Pay) Rules, 1960, the Central Civil Services (Revised Pay) Rules, 1973, Central Civil Services (Revised Pay) Rules, 1986 and CCS

(Revised Pay) Rules, 1997 shall not, save as otherwise provided in these rules, apply to cases where pay is regulated under these rules, to the extent they are inconsistent with these rules.

16. *Power to relax*—Where the President is satisfied that the operation of all or any of the provisions of these rules causes undue hardship in any particular case, he may, by order, dispense with or relax the requirements of that rule to such extent and subject to such conditions as he may consider necessary for dealing with the case in a just and equitable manner.

17. *Interpretation*—If any question arises relating to the interpretation of any of the provisions of these rules, it shall be referred to the Central Government for decision.

THE FIRST SCHEDULE

(SEE RULES 3&4)

PART-A

Section I

Revised Pay Bands and Grade Pays for posts carrying present scales in Group 'A', 'B', 'C' & 'D' except posts for which different revised scales are notified separately.

(In Rs.)

Present Scale Sl. No.	Post/ Grade	Present Scale	Name of Pay Band/ Scale	Revised Pay Structure Corresponding Pay Bands/ Scales	Corresponding Grade Pay
(1)	(2)	(3)	(4)	(5)	(6)
1	S-1	2550-55-2660-60-3200	-1S	4440-7440	1300
2	S-2	2610-60-3150-65-3540	-1S	4440-7440	1400
3	S-2A	2610-60-2910-65-3300 70-4000	-1S	4440-7440	1600
4	S-3	2650-65-3300-70-4000	-1S	4440-7440	1650
5	S-4	2750-70-3800-75-4400	PB-1	5200-20200	1800
6	S-5	3050-75-3950-80-4590	PB-1	5200-20200	1900
7	S-6	3200-85-4900	PB-1	5200-20200	2000
8	S-7	4000-100-6000	PB-1	5200-20200	2400
9	S-8	4500-125-7000	PB-1	5200-20200	2800
10	S9	5000-150-8000	PB-2	9300-34800	4200
11	S-10	5500-175-9000	PB-2	9300-34800	4200
12	S-11	6500-200-6900	PB-2	9300-34800	4200
13	S-12	6500-200-10500	PB-2	9300-34800	4200
14	S-13	7450-225-11500	PB-2	9300-34800	4600
15	S-14	7500-250-12000	PB-2	9300-34800	4800

(1)	(2)	(3)	(4)	(5)	(6)																					
16	S-15	8000-275-13500	PB-2	9300-34800	5400																					
17	New Scale	8000-275-13500 (Group A Entry)	PB-3	15600-39100	5400																					
18	S-16	9000	PB-3	15600-39100	5400																					
19	S-17	9000-275-9550	PB-3	15600-39100	5400																					
20	S-18	10325-325-10975	PB-3	15600-39100	6600																					
21	S-19	10000-325-15200	PB-3	15600-39100	6600																					
22	S-20	10650-325-15850	PB-3	15600-39100	6600																					
23	S-21	12000-375-16500	PB-3	15600-39100	7600																					
24	S-22	12750-375-16500	PB-3	15600-39100	7600																					
25	S-23	12000-375-18000	PB-3	15600-39100	7600																					
26	S-24	14300-400-18300	PB-4	37400-67000	8700																					
27	S-52	15100-400-18300	PB-4	37400-67000	8700																					
28	S-26	16400-450-20000	PB-4	37400-67000	8900																					
29	S-27	16400-450-20900	PB-4	37400-67000	8900																					
30	S-28	14300-450-22400	PB-4	37400-67000	10000																					
31	S-29	18400-500-22400	PB-4	37400-67000	10000																					
32	S-30	22400-525-24500	PB-4	37400-67000	12000																					
33	S-31	22400-600-26600	HAG+Scale	75500-(annual increament@3%) -80000	Nil																					
34	S-21	24050-650-26000	HAG+Scale	75500-(annual increament@3%) -80000	Nil																					
35	S-33	26000	Apex Scale	80000*Fixed)	Nil																					
36	S-34	30000(Fixed)	Cab. Sec	90000(Fixed)	Nil																					
Section II																										
Entry Pay in the revised pay structure for direct recruits appointed on or after 1.1.2006.																										
PB-1(Rs. 5200-20200)																										
<table><tr><td></td><td colspan="2">Pay in the</td></tr><tr><td>Grade pay</td><td>Pay Band</td><td>Total</td></tr><tr><td>1,800</td><td>5,200</td><td>7,000</td></tr><tr><td>1,900</td><td>5,830</td><td>7,730</td></tr><tr><td>2,000</td><td>6,460</td><td>8,460</td></tr><tr><td>2,400</td><td>7,510</td><td>9,910</td></tr><tr><td>2,800</td><td>8,560</td><td>11,360</td></tr></table>							Pay in the		Grade pay	Pay Band	Total	1,800	5,200	7,000	1,900	5,830	7,730	2,000	6,460	8,460	2,400	7,510	9,910	2,800	8,560	11,360
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2,400	7,510	9,910																								
2,800	8,560	11,360																								

PB-2(Rs. 9300-34800)

Grade pay	Pay in the Pay Band	Total
4,200	9,300	13,500
4,600	12,540	17,140
4,800	13,350	18,150

PB-3(Rs. 15600-39100)

Grade pay	Pay in the Pay Band	Total
5,400	15,600	21,000
6,600	18,750	25,350
7,600	21,900	29,500

PB-4(Rs. 37400-67000)

Grade pay	Pay in the Pay Band	Total
8,700	37,400	46,100
8,900	40,200	49,100
10,000	43,000	53,000
12,000	47,100	59,100

PART-B**REVISED PAY SCALES FOR CERTAIN COMMON CATEGORIES OF STATE****Section I**

- (i) The revised pay structure mentioned in Column (5) and (6) of this part of the Notification for the posts mentioned in Column (2) have been approved by the Government. The initial fixation as on 1.1.2006 will be done accordance with Note 2 below Rule 7 of this Notification.
- (ii) On account of merger of pre-revised pay scale of Rs. 5000-8000, Rs. 5500-9000 and Rs. 6500-10500, some posts which presently constitute feeder and promotion grades will come to be lie in an identical grade. The specific recommendations about some categories of these posts made by the Pay Commission are included Section II of Part B. As regards other posts the posts in these three scales should be merged. In case it is not feasible to merge the post in these pay scales on functional considerations, the post in the scale of Rs. 5000-8000 and Rs. 5500-9000 should be merged, with the post in the scale of 6500-10,500 being upgraded to the next higher grade in pay band PB-2 i.e. to the grade pay of Rs. 4600 corresponding to the pre-revised pay scale of Rs. 7450-11500. In case a post already exists in the scale of Rs. 7450-11500, the post being up graded from the scale of Rs. 6500-10500 should be merged with the post in the scale of Rs. 7450-11500.
- (iii) Posts in the scale of Rs. 6500-10500 carrying minimum qualification of either Degree in Engineering or a Degree in Law would also be upgraded and place in the scale of Rs. 7450-11500 corresponding to the revised pay band PB-2 of Rs. 9300-34800 along with grade pay of Rs. 4600.

(iv) Posts of scientific staff in the scale of Rs. 6500-10500 carrying minimum qualification of engineering degree or a post-graduate degree should also be upgraded and placed in the scale of Rs. 7450-11500 corresponding to the revised pay band PB-2 of Rs. 9300-34800 along with grade pay of Rs. 4600.					
(v) Upgradation as in (ii) above may be done in consultation with Department of Expenditure, Ministry of Finance. Regarding (iii) and (iv) above, upgradation may be done by the Ministries concerned in consultation with their Integrated Finance.					
Section II					
<i>(In Rupees)</i>					
Sl. No.	Post	Present scale	Revised Pay Scale	Corresponding Pay Band & Grade Pay Pay Band Grade Pay	Para No. of the Report
(1)	(2)	(3)	(4)	(5)	(6)
I OFFICE STAFF IN THE SECRETARIAT*					
1	Section Officer/PS/ Equivalent	6500-10500	7500-1200	PB-2	4800
			8000-13500 (on Completion of Four years)	PB-3	5400 (on Completion of 4 Years)
					3.1.9 (Modified by Govt.)
*This scale shall be available only in such of those organizations/services which have had a historical parity with CSS/CSS. Services like AFFHQSS/AFHQSSS/RBSS and Ministries/Secretarial post in Ministries/Departments organization like MBA, Ministry of Parliamentary Affairs, CVC, UPSC, etc. would therefore be covered.					
II. OFFICE STAFF WORKING IN ORGANSIATIONS OUTSIDE THE SECRETARIAT					
1	Head Clerk/ Assistants/ Steno Gr.II/ Equivalent	4500-7000 5000-8000	6500-10500	PB-2	4200
					3.1.14
2.	Administrative Officer Grade II/Sr. Private Secretary/ Equivalent	7500-12000	7500-12000 (entry grade for fresh recruits)	PB-2	4800
			8000-13500 (on Completion of Four years)		5400 (on completion of 4 years)
					3.1.4
III. ACCOUNTS STAFF BELONGING TO UN-ORGANIZED ACCOUNTS CADRES					
I	Senor Artist	6500-105500	7450-11500	PB-2	4600
					3.86

(1)	(2)	(3)	(4)	(5)	(6)	(7)
V	CANTEEN STAFF					
1	Posts of Canteen Staff in the pre-Revised Groups 'D' Pay scales	All the posts of canteen staff in Group 'D' will be placed in the revised Pay Bank PB-1 along with grade payoff Rs. 1800 once the staff occupying these posts is suitably retrained and made multi-skilled.				3.8.7
VI	DRAWING OFFICE STAFF					
1	Chief Draughtsman	6500-10500	7450-11500	PB-2	4600	3.8.9
VII	ELECTRONIC DATA PROCESSING (EDP) STAFF					
1	Data Processing Assistant	6500-10500	6500-10500	PB-2	4600	3.8.11
VIII	FIRE FIGHTING STAFF					
1	Firemen	2610-3540	3050-4590	PB-1	1900	
2	Leading Fireman	3050-4590	32200-4900	PB-1	2000	
3	Station Officer	4000-6000	4500-7000	PB-1	2800	
4	Asstt. Divisional Fire Officer	5000-8000	6500-10500	PB-2	4200	
5	Deputy Divisional Fire Officer	6500-10500	7450-11500	PB-2	4600	
IX	LIBRARY STAFF					
1	Posts of Library Attendant Grade II and I shall stand merged and placed in the revised pay band PB-1 along with grade pay of Rs. 1800 after their skills are suitably enhanced.					
2	Asstt. Library Information Officer	6500-10500	7450-11500	PB-2	4600	3.8.12
XI	LABORATORY STAFF					
1	All posts of Laboratory Staff in the pre-revised Group 'D' pay scales (commonly designated as Laboratory Attendants Grade I, II & III) shall be placed in the revised Pay Band PB-I along with Grade Pay of Rs. 1800 after their skills are suitably enhanced.					3.8.14
2	Laboratory Technician Gr. I	6500-10500	7450-11500	PB-2	4600	
XII	NURSING & PARAMEDCAL STAFF					
1	Staff Nurse	5000-8000	7450-11500	PB-2	4600	3.8.15
2	Nursing Sister	5500-9000	7500-12000	PB-2	4800	
3	Dietician Gr.II	6500-10500	7450-11500	PB-2	4600	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Lectuer inPT/OT/ Radiographer					
4	Asstt. Nursing Superintendent	6500-10500	8000-13500	PB-3	5400	
5	Deputy Nursing Superintendent	7500-12000	8000-13500	PB-3	5400	
6	Nursing Superintendent	8000-13500	10000-15200	PB-2	6600	
7	Chief Nursing Officer	10000-15200	12000-16500	PB-3	7600	
XII PHOTOGRAPHERS						
1	Photography Attendant Gr. II/ any other post in the pre-revised Group 'D' scale	2650-4000/ any other Scale in the pre-revised Group 'D' Scale		PB-1	1800	3.8.16
2	Chief Cinematographer/ Equivalent		6500-10500	7450-11500 PB-2		4600
XIV PRINTING STAFF						
1	Posts of printing staff in the pre- Revised pay scales of Rs. 6500-10500		7450-11500	PB-2	4600	3.8.18
XV RECEPTIONISTS						
1	Various post of receptionists to be merged with the clearical cadre in the Corresponding pay band and grade pay. In case no corresponding grade pay exists in the clerical cadre, the merger should be made in the immediate higher grade pay available in the clerical cadre.					3.8.19
XVI STORE KEEPING STAFF						
1	Senior Store Keeper Gr. II (To be extended to all analoqueous posts of Storekeeping staff irresective of designation)	6500-10500	7450-11000	PB-2	4600	3.8.20
XVII TEACHERS						
1	Primary School Teacher	Grade III 4500-7000	Grade III 6500-10500	PB-2	4200	
		Grade II	Grade II	PB 2	4600	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
		5500-9000	7450-11500			
		Grade I 6500-10500	Grade I 7500-12000	PB-2	4800	
2	Trained Graduate Teacher	Grade III 5500-9000	Grade III 7450-11500	PB-2	4600	
		Grade II 6500-10500	Grade II 7500-12000	PB-2	4800	
		Grade I 7500-12000	Grade I 8000-13500	PB-2	5400	3.8.22
3	Post Graduate Teacher	Grade III 6500-10500	Grade III 7500-12000	PB-2	4800	
		Grade II 7500-12000	Grade II 8000-13500	PB-3	5400	
		Grade I 8000-13500	Grade I 10000-15200	PB-3	6600	
4	Vice Principal	Grade II 7500-12000	Grade II 8000-13500	PB-3	5400	
		Grade I 8000-13500	Grade I 10000-15200	PB-3	6600	
5	Principal	10000-15200	12000-16500	PB-3	7600	
6.	Education Officer/ Assistant Director of Education #	10000-15200	12000-16500	PB-3	7600	3.8.24
\\#Posts of Education Officer/Assistant Director of Education stand merged with the post of Deputy Director of Education.						
XVIII VETERINARIANS						
1	Group 'D'posts of Para Veterinary Attendants	all Group 'D' posts of Para Veterinary Attendants/Compounder are to be placed in the revised pay band PB-I along with grade pay of Rs. 1800 after they are retrained suitably.				
2	All Para Veterinary staff in the pre-revised scale of Rs. 6500-10500	6500-10500	7450-11500	PB-2	4600	3.8.25
3	Veterinary Officers	Veterinary Officers requiring a degree of D.V. AH along with registration in the Veterinary Council of India are to be placed on par with General Duty Medical Officers and Dental Doctors.				

(1)	(2)	(3)	(4)	(5)	(6)	(7)
XIX WORKSHOP STAFF						
1	Unskilled	2550-3200	2750-4400	PB-1	1800	3.8.27
2	Semi Skilled	2650-4000	2750-4400	PB-1	1800*	
3	Asstt. Shop Superintendent \$ / Dy. Shop Superintendent/ Asstt. Foreman	6500-10500	7450-11500	PB-2	4600	3.829
*Grades of existing unskilled an semi-skilled workers and merged. \$ The grades of Asstt. Shop Superintendent/equivalent and Shop Superintendent/equivalent stand merged.						
XX ORGANISED ACCOUNTS CADRES*						
1	Section Officer	6500-10500	7500-12000	PB-2	4800	7.56.9
2	Assistant Accounts/Audit Officer	7450-11500	7500-12000	PB-2	4800	7.56.9
3	Audit/Accounts Officer	7500-12000	8000-135--	PB-2	5400	7.56.9
4	Senior Audit/Accounts Officer	8000-13500	8000-13500	PB-3	5400	7-56.9
*Also applicable to employees of India Audit & Accounts Department <div style="text-align: center;"> PART - C REVISED PAY STRUCUTRE FOR CERTAIN POSTS IN MINISTREIS, DEPARTMENTS AND UNION TERRITORIES Section I </div> <p>(i) The revised pay strcutre mentioned in Column (5) and (6) of this part of the Notification for the posts mentioned in Column (2) have been approved by theGovernment. The initial fixation as on 1.1.2006 will be done in accordance with Note 2 below Rule 7 of this Notification.</p> <p>(ii) On account of merger of pre-revisede pay scales of Rs. 5000-8000, Rs. 5500-9000 and Rs. 6500-10500, some posts which presently constitute feeder and promotion grades will come to lie in an identical grade. The specific recommendations about some categories of these posts made by the Pay Commission are included Section II of Part C. As regards other posts, the posts these three scales should be merged. In case it is not feasible to merge the posts in these pay scales on functional considerations the posts in the scale of Rs. 5000-8000 and Rs. 5500-9000 should be merged, with the post in the scale of Rs. 6500-10500 being upgraded to the next higher grade in pay band PB-2 i.e. to the grade pay of Rs. 4600 corresponding to the pre-revised pay scale of Rs. 7450-11500. In case a post already exists in the scale of Rs. 7450-11500, the post being upgraded from the sacle of Rs. 6500-10500 should be merged with the post in the scale of Rs. 7450-11500.</p>						

- (iii) Posts in the scale of Rs. 6500-10500 carrying minimum qualification of either Degree in Engineering or a Degree in Law should also be upgraded and placed in the scale of Rs. 7450-11500 corresponding to the revised pay band PB-2 of Rs. 9300-34800 along with grade pay of Rs. 4600.
- (iv) Posts of scientific staff in the scale of Rs. 6500-10500 carrying minimum qualification of engineering degree or a post-graduate degree should also be upgraded and placed in the scale of Rs. 7450-11500 corresponding to the revised pay band PB-2 of Rs. 9300-34800 along with grade pay of Rs. 4600
- (v) Upgradation as in (ii) above may be done in consultation with Department of Expenditure, Ministry of Finance. Regarding (iii) and (iv) above, upgradation may be done by the Ministries concerned in consultation with their Integrated Finance.

Section II

The revised pay structure mentioned in Column (5) and (6) of this part of the Notification for the posts mentioned in Column 2 have been approved by the Government.

(In Rupees)

Sl. No.	Post	Present scale	Revised Pay Scale	Corresponding Pay Band & Grade Pay	Grade Pay	Para No. of the Report
(1)	(2)	(3)	(4)	(5)	(6)	(7)
MINISTRY OF AGRICULTURE						
1	Plant Protection Officer Directorate of Plant Protection, Quarantine & Storage	6500-10500	7450-11500	PB-2	4600	7.1.5
2	Senior Instructor in Central Farm Machinery Training and Testing Institute	6500-10500	7450-11500	PB-2	4600	7.1.6
3	Manager (Procurement/Processing quality Control/Distribution) in Delhi Milk-Scheme	10000-15200	12000- 16500	PB-3	7600	7.1.7
4	Senior Dairy Engineer in Delhi Milk Scheme	10000-15200	12000- 16500	PB-3	7600	7.1.7
5	Junior Fisheries Scientists Grade I and Grade II in Fishery Survey of India (Posts stand merged)	Grade I 7500-12000 Grade II 6500-10500	7500-12000	PB-2	4800	7.1.12
6	Assistant Director in Directorate of Cotton Development	6500-10500	74500-11500	PB-2	4600	7.1.20

1)	(2)	(3)	(4)	(5)	(6)	(7)
7	Senior Seed Analyst in National Seed Research Training Centre, Varanasi	6500-10500	7450-11500	PB-2	4600	7.1.22
8	Senior Instructor in Northern Region Farm Machinery Training and Testing Institute	6500-10500	7450-11500	PB-2	4600	7.1.24
MINISTRY OF COMMUNICATIONS & INFORMATION TECHNOLOGY DEPARTMENT OF POSTS						
1	Technical Supervisor in Mail Motor Service	4500-7000	5000-8000	PB-2	4200	7.6.8
2	Astisan Grade I in Mail Motor Service	4000-6000	4500-7000	PB-1	2800	7.6.8
3	Assistant Director (Recruitment)	6500-10500	7450-11500	PB-2	4600	7.6.9
4	Assistant Superintendent Post Office (ASPOs)	6500-10500	7450-11500	PB-2	4600	7.6.14
5	Superintendent (Posts)	6500-10500	7450-12500 8000-13500 (after 4 years)	PB-2 PB-2	4800 5400	7.6.14
6	Assistant Manager, Mail Motor Service	6500-10500	7450-11500	PB-2	4600	7.6.14
7	Deputy Manager, Mail Service	6500-10500	7500-12000	PB-2	4800	7.6.14
8	Higher Selection Grade I	6500-10500	7450-11500	PB-2	4600	7.6.15
9	Postman	3050-4590	3200-4900	PB-1	2000	7.6.17
10	Mail Guard in Railway Service	3050-4590	3200-4900	PB-1	2000	7.6.17
11	Translation Officer (French)	6500-10500	7500-12000	PB-2	4800	7.6.18
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION						
1	Technical Assistant in the Director of Sugar	4500-7000	6500-10500	PB-2	4200	7.12.13
MINISTRY OF CORPORATE AFFAIRS						
1	Company Prosecutor	Grade II	7450-11500	PB_2	4600	7.8.5

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Grade II & Grade III	6500-10500 Grade III 5500-9000				
2	Senior Technical in Serious Fraud Investigation Organisation	6500-10500	7450-11500	PB-2	4600	7.8.6
3	Asst. Dirs. in Serious Fraud Investigation Organisation	6500-10500	7500-12000	PB-2	4800	7.8.10
MINISTRY OF CULTURE						
1	Assistant Superintendent (Archaeologist) in Archaeology Cadre, ASI	6500-10500	7450-11500	PB-2	4600	7.9.5
2	Assistant Superintendent the Epigraphy Cadre, ASI	6500-10500	7450-11500	PB-2	4600	7.9.5
3	Assistant Suprintendent in Science Cadres, Assistant Archaeological Chemists, ASI	6500-10500	7450-11500	PB-2	4600	7.9.5
4	Assustant Superintendent, Achaaeological Engineer in Conservation Cadre, ASI	6500-10500	7450-11500	PB-2	4600	7.9.5
5	Assistant Superintendent, Archaeological Engineer, Horticulture Engineer, ASI	6500-10500	7450-11500	PB-2	4600	7.9.5
6	Senior Surveyor, Archaeological Survey of India	5500-9000	7450-11500	PB-2	4600	7.9.8
7	Deputy Curator in National Museum	6500-10500	7450-11500	PB-2	4600	7.9.14
8	Posts in the National Archives carryiing the pre revised scale of 6500-10500 and feeder post exists in 5500-9000.	6500-10500	7450-11500	PB-2	4600	7.9.16
9	Microphotographist in National Archives of India	6500-10500	7450-11500	PB-2	4600	7.9.18
MINISTRY OF DEFENCE						
Department of Defence						

(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Machineman/Operator Offest	4500-7000	5000-8000	PB-2	4200	7.10.17
2	Assistant Master in Military Schools	5500-9000	7450-11500	PB-2	4600	7.10.21
3	Master Gazetted in Schools	7500-12000	8000-13500	PB-3	5400	7.10.21
Coast Guard Organisation (General Duty Branch)						
4	Navik	3050-4590	3200-4900	PB-1	2000	7.10.26
5	Uttam Navik	3200-4900	4000-6000	PB-1	2400	7.10.26
6	Pradhan Navik	3200-4900+ spl. pay Rs. 50	4500-7000	PB-1	2800	7.10.26
7	Uttam Adhikari	6500-10500	7450-11500	PB-2	4600	7.10.26
8	Pradhan Adhikari	6500-10500+ spl Pay of Rs. 200	7450-11500	PB-2	4600	7.10.26
Coast Guard Organisation (Domestic Branch)						
9	Navik	2750-4400	3050-4590	PB-1	1900	7.10.26
10	Uttam Navik	3050-4590	3200-4900	PB-1	2000	7.10.26
11	Pradhan Navik	3200-4900	4000-6000	PB-1	2400	7.10.26
12	Pradhan Adhikari	6500-10500	7450-11500	PB-2	4600	7.10.26
Coast Guard Organisation (Aviation Branch)						
13	Navik	3050-4590	3200-4900	PB-1	2000	7.10.26
14	Uttam Navik	3200-4900	4000-6000	PB-I	2400	7.10.26
15	Pradhan Navik	4000-6000	4500-7000	PB-1	2800	7.10.26
16	Uttam Adhikari	6500-10500	7450-11500	PB-2	4600	7.10.26
17	Pradhan Adhikari	6500	7500-12000 10500+Spl. Pay of Rs. 200	PB-2	4800	7.10.26
Coast Guard Organisation (Technical Branch)						
18.	Uttam Engineer	6500-11500	7450-11500	PB-2	4600	7.10.26
19	Pradhan Engineer	7450-11500	7500_12000	PB-2	4800	7.10.26
Department of Defence Production						

(1)	(2)	(3)	(4)	(5)	(6)	(7)
20	Assistant Accounts Officer in DGOA	6500-10500	7450-11500	PB-2	4600	7.10.33
Department of Defence Research and Development						
21.	Examiner Grade I in Defence Institute of Psychological Research	6500-10500	7450-11500	PB-2	4600	7.10.35
22.	Senior Technical Assistant in DRDO	6500-10500	7450-11500	PB-2	4600	7.10.39
MINISTRY OF EARTH SCIENCES						
1.	Technical Assistants in Centre for Marine Living Resources & Ecology, Kochi	4500-7000	6500-10000	PB-2	4200	7.12.7
MINISTRY OF ENVIRONMENT & FORESTS						
1.	Junior Administrative Officer in Zoological Survey of India	6500-10500	7450-11500	PB-2	4600	7.13.9
MINISTRY OF EXTERNAL AFFAIRS						
1.	Security Guards		Higher Pay scales as recommended for analogous posts in CISF shall be extended in respect of Security Guards in MEA			7.14.4
2.	Superintendent Central Passport Organization	6500-10500	7450-11500	PB-2	4600	7.14.5
MINISTRY OF FINANCE						
Department of Economic Affairs						
1.	Section Officer (Excluded)	7450-11500	7500-12000 8000-13500 (after 4 years)	PB-2 PB-3	4800 5400	7.15.3
2.	Assistant Class-II in Govt. Mint	3050-4590	3200-4900	PB-1	2000	7.15.5
3.	Supervisor in India Security Press and Currency Note Press	6500-10500	7450-11500	PB-2	4600	7.15.7
4.	Deputy Control Officer in India Security Press and Currency Note Press	6500-10500	7450-11500	PB-2	4600	7.15.7
5.	Works Engineer in India Security Press and Currency Note Press	6500-10500	7450-11500	PB-2	4600	7.15.7

(1)	(2)	(3)	(4)	(5)	(6)	(7)
6.	Assistant Class-II in Calcutta Mint	3050-4590	4500-7000	PB-1	2800	7.15.8
7.	Technical Wing Officers in Security Printing Press	6500-10500	7450-11500	PB-2	4600	7.15.9
8.	Dy. Technical Officer, Security Printing Press	6500-10500	7450-11500	PB-2	4600	7.15.9
Department of Revenue						
9.	Income Tax Officer/ Superintendent, Appraisers etc. (Customs & Central Excise)	7500-12000	7500-12000 8000-13500 (after 4 years)	PB-2 PB-2	4800 5400	7.15.17
10.	Notice Server	3050-4590	3200-4900	PB-1	2000	7.15.18
MINISTRY OF HEALTH & FAMILY WELFARE						
1.	Medical Supervisor/Health Visitor	4000-6000	4500-7000	PB-1	2800	7.1.7.11
MINISTRY OF HOME AFFAIRS						
1.	Statistical Investigator Gr. I in RGI	6500-10500	7450-11500	PB-2	4600	7.19.9
2.	Additional DIG in CPM's	14300-18300	16400-20000	PB-4	8900	7.19.33
3.	Constable in CPMFs	3050-4590	3200-4900	PB-1	2000	7.19.35
4.	Head Constable in CPMFs	3200-6000	4000-6000	PB-1	2400	7.19.35
5.	Assistant Sub Inspector in CPMFs	4000-6000	4500-7000	PB-1	2800	7.19.35
6.	Inspector in CPMFs	6500-10500	7450-11500	PB-2	4600	7.19.35
7.	Subedar Major in CPMFs	6500- 10500+Rs. 20 0.pm.	7500-12000	PB-2	4800	7.19.35
8.	Constable in Delhi Police	3050-4590	3200-4900	PB-1	2000	7.19.50
9.	Head Constable in Delhi Police	3200-4900	4000-6000	PB-1	2000	7.19.50
10.	Assistant Sub Inspector in Delhi Police	4000-6000	4500-7000	PB-1	2800	7.19.50
11.	Inspector in Delhi Police	6500-10500	7450-11500	PB-2	4600`	7.19.50
12.	Security Assistant in IB	3050-4590	3200-4900	PB-1	2000	7.19.62
13.	Junior Intelligence Officer	3200-4900	4000-6000	PB-1	2400	7.19.62

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Gr.II in IB					
14.	Junior Intelligence Officer Gr. I in IB	4000-6000	4500-7000	PB-1	2800	7.19.62
15.	ACIO-I in IB	6500-10500	7450-11500	PB-2	4600	7.19.62
16.	Sr. Translator in CSOLS	6500-10500	7450-11500	PB-2	4600	7.19.68
17.	Asstt. Director (OL) in CSOLS	7500-12000	8000-13500	PB-3	5400	7.19.68
18.	Entry Grade in DANICs, DANIPS, Pondicherry Civil Service and Pondicherry Police Service	6500-10500	7500-12000 8000-13500	PB-2 PB-3 (after 4 years)	4800 5400	7.19.51 7.19.68
MINISTRY OF INFORMATION & BROADCASTING						
1.	Technical Assistants (Advertising) in DAVP	6500-10500	7450-11500	PB-2	4600	7.22.6
2.	Assistant Production Manager in DVP	6500-10500	7450-11500	PB-2	4600	7.22.8
3.	Assistant Distribution Officer in DAVP/Assistant Media Executive	6500-10500	7450-11500	PB-2	4600	7.22.8
4.	Assistant Business Manager in Publications Division	6500-10500	7450-11500	PB-2	4600	7.22.12
5.	Carpenters in Films Division	3050-4590	3200-4900	PB-1	2000	7.22.14
MINISTRY OF LABOUR & EMPLOYMENT						
1.	Senior Employment Officer	6500-10500	7450-11500	PB-2	4600	7.23.4
2.	Law Officer Grade II in DGMS	6500-10500	7450-11500	PB-2	4600	7.23.11
3.	Legal Assistant in DGMS (To be merged with the post of Law Officer Grade II)	5500-9000	7450-11500	PB-2	4600	7.23.11
4.	Labour Enforcement Officers in Labour Bureau	6500-10500	7450-11500	B-2	4600	7.23.14
MINISTRY OF LAW AND JUSTICE						
1.	Assistant (Legal)	6500-10500	7450-11500	PB-2	4600	7.24.12
MINISTRY OF MINES						
1.	Assistant Mining Geologist	6500-10500	7450-11500	PB-2	4600	7.26.5

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	in IBM					
2.	Assistant Chemist in IBM	6500-10500	7450-11500	PB-2	4600	7.26.5
3.	Mineral Officer in IBM	6500-10500	7450-11500	PB-2	4600	7.26.5
4.	Senior Scientific Officer in the Directorate General of Mines Safety	6500-10500	7450-11500	PB-2	4600	7.26.11
MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS						
1.	Language Instructors	6500-10500	7500-12000	PB-2	4800	7.32.10
2.	Assistant Directors in ISTM	6500-10500	7500-12000	PB-2	4800	7.32.16
3.	Constable in CBI	3050-4500	3200-4900	PB-1	2400	7.32.18
4.	Head Constable in CBI	3200-4900	4000-6000	PB-1	2400	7.32.18
5.	Assistant Sub Inspector in CBI	4000-6000	4500-7000	PB-1	2800	7.32.18
6.	Inspector in CBI	6500-10500	7450-11500	PB-2	4600	7.32.18
MINISTRY OF POWER						
1.	Professional/Statistical Assistant	4500-7000	5000-8000	PB-2	4200	7.35.2
MINISTRY OF SHIPPING, ROAD TRANSPORT & HIGHWAYS						
Border Roads Organization						
1.	Technical Assistant, Assistant Engineer and Chief Draughtsman in Deptt. of Road Transport & Highways.	6500-10500	7450-11500	PB-2	4600	7.39.20
2.	Overseer in Border Roads Organisation (To be merged with the promotional post of Superintendent BR Grade II)	3200-4900	5000-8000	PB-2	4200	7.39.22
3.	Superintendent Grade II in the Civil Engineering and Electrical & Mechanical Cadre	4500-7000	5000-8000	PB-2	4200	7.39.23
4.	Foreman Superintendent (Fire)	4000-6000	4500-7000	PB-1	2800	7.39.28
MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT						
1.	Senior Investigator in	6500-10500	7450-11500	PB-2	7.40.4	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	National Commission for Scheduled Castes					
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION						
1.	Statistical Investigator Grade II National Commission for Scheduled Castes	6500-10500	7450-1500	PB-2	4600	7.40.4
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION						
1.	Statistical Investigator Grade II (To be merged with the post of Statistical Investigator Gr.I)	6500-10500	7450-11500	PB-2	4600	7.41.5
MINISTRY OF TEXTILES						
1.	Assistant Director (Technical) in the Office of Textile Commissioner	6500-10500	7450-11500	PB-2	4600	7.43.11
2.	Assistant Director (Economics) in the Office of Textile Commissioner	6500-10500	7450-11500	PB-2	4600	7.43.11
3.	Assistant Director (Handicrafts) in the Office of Development Commissioner (Handicrafts)	6500-10500	7450-11500	PB-2	4600	7.43.13
MINISTRY OF URBAN DEVELOPMENT						
1.	Assistant Engineer in Engineering Wing of CPWD	6500-10500	7450-11500	PB-2	4600	7.46.12
2.	Assistant Director in Horticulture Wing of CPWD	6500-10500	7450-11500	PB-2	4600	7.46.17
3.	Technical Officers in Drawing Wing of CPWD	6500-10500	7450-11500	PB-2	4600	7.46.23
4.	Legal Assistants in the Directorate of Estates	5500-9000	7450-11500	PB-2	4600	7.46.27
5.	UDC Incharge (To be merged with the post of Deputy Store Keeper)	4500-7000	5000-8000	PB-2	4200	7.46.31
MINISTRY OF WATER RESOURCES						
1.	Superintendent in Central Water & Power Research Station	6500-10500	7450-11500	PB-2	4600	7.47.6

(1)	(2)	(3)	(4)	(5)	(6)	(7)
2.	Assistant Director Gr. II in Central Water Commission	6500-10500	7450-11500	PB-2	4600	7.47.8
MINISTRY OF WOMEN & CHILD DEVELOPMENT						
1.	Demonstration Officer Grade I/ Senior Technical Assistant/Chemist	6500-10500	7450-11500	PB-2	4600	7.48.5
UNION PUBLIC SERVICE COMMISSION						
1.	Estate Manager & Meeting Officer, Jr. Analyst, Jr. Research Officer, Security Officer, Superintendent (DP), Reception Officer, Assistant Library & Information Officer, Data Processing & Processing Assistant and Superintendent(Typing)	6500-10500	7450-11500	PB-2	4600	7.53.6
INDIAN AUDIT AND ACCOUNTS DEPARTMENT						
1.	Divisional Accounts Officer Gr. II	6500-10500	7450-11500	PB-2	4600	7.56.13
2.	Divisional Accounts Officer Grade-I	7450-11500	7509-12000	PB-2	4800	7.56.13
3.	Sr. Divisional Accounts Officer	7500-12000	8000-13500	PB-3	5400	7.56.13
UNION TERRITORIES						
1.	Constable in UTs other than Delhi (Constables presently in a pay scale lower than Rs. 3050-4590 shall be placed in the revised pay band PB-1 with grade pay of Rs. 1800.	3050-4590	3200-4900	PB-1	2000	7.57.6
2.	Head Constable in UTs other than Delhi	3200-4900	4000-6000	PB-1	2400	7.57.6
3.	Assistant Sub Inspector in UTs other than Delhi	4000-6000	4500-7000	PB-1	2800	7.57.6
4.	Inspector in UTs other than Delhi	6500-10500	7450-11500	PB-2	4600	7.57.6
5.	Forest Guard/Forest Protection Force	3050-4590	3200-4900	PB-1	2000	7.57.7
6.	Head Forest Guard	3200-4900	4000-6000	PB-1	2400	7.57.7

(1)	(2)	(3)	(4)	(5)	(6)	(7)
7.	Forester/Analogous Posts	4000-6000	4500-7000	PB-1	2800	7.57.7
8.	Tehsildars	6500-10500	7450-11500	PB-2	4600	7.57.11
Union Territory of Delhi						
9.	Archaeological Engineer UT of Delhi	6500-10500	7450-11500	PB-2	4200	7.57.15
10.	Horticulture Assistant in Department of Archaeology, Govt. of Delhi	4500-7000	6500-10500	PB-2	4200	7.57.16
11.	Conservation Assistant in Department of Archaeology, Govt. of Delhi	4500-7000	6500-10500	PB-2	4200	7.57.16
12.	Surveyor in Department of Archaeology, Govt. of Delhi	4500-7000	6500-10500	PB-2	4200	7.57.16
13.	Horticulture Assistant in Departments of Revenue & Development, UT of Delhi	4500-7000	6500-10500	PB-2	4200	7.57.17
14.	Technical Assistant in Departments of Revenue & Development, UT of Delhi	4500-7000	6500-10500	PB-2	4200	7.57.17
15.	Plant Protection Assistant in Departments of Revenue & Development, UT of Delhi	4500-7000	6500-10500	PB-2	4200	7.57.17
16.	Extension Officer in Departments of Revenue & Development	4500-7000	6500-10500	PB-2	4200	7.57.17
17.	Village Level Worker	3200-4000	4000-6000	PB-2	2400	7.57.17
18.	Project Officer in UT of Delhi	6500-10500	7450-11500	PB-2	4600	7.57.25
19.	Junior Staff Officer in UT of Delhi	6500-10500	7450-11500	PB-2	4600	7.57.30
20.	Public Prosecutor	6500-10500	7450-11500	PB-2	4600	7.57.29
Union Territory of Lakshadweep						
21.	Assistant Director of Fisheries (To be merged with the post of Dy. Director of Fisheries)	6500-10500	7450-11500	PB-2	4600	7.57.47
22.	Fireman	2610-4000	3050-4590	PB-1	1900	7.57.46

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Union Territory of Andaman & Nicobar Islands						
23.	Patwari in the UT of Andaman & Nicobar Islands and also other UTs irrespective of the designation it carries.	3050-4590	3200-4900	PB-1	2000	7.57.61
Union Territory of Puducherry						
24.	Translator, Law Department	4500-7000	5000-8000	PB-2	4200	7.57.65
25.	Reporter, Information Department (To be merged with the post of Sub Editor)	4000-6000	4500-7000	PB-1	2800	7.57.66
26.	Overseer Grade I, Local Administration Department	4500-7000	5000-8000	PB-2	4200	7.57.68
27.	Draughtsman Grade II	4500-7000	5000-8000	PB-2	4200	7.57.68
28.	Editor of Debates, Legislative Assembly	6500-10500	7450-11500	PB-2	4600	7.57.71
29.	Assistant Engineer (Marine), Fisheries Department	6500-10500	7450-11500	PB-2	4600	7.57.76
30.	Overseer, Public Works Department	4000-6000	5000-8000	PB-2	4200	7.57.77
31.	Sewage Analyst, Public Works Department (To be merged with the post of Bio Chemist)	5500-9000	7450-11500	PB-2	4600	7.57.77
32.	Bio Chemist	6500-10500	7450-11500	PB-2	4600	7.57.77
33.	Filedman, Animal Husbandry Department	3200-4900	4000-6000	PB-1	2400	7.57.79
<p style="text-align: center;">THE SECOND SCHEDULE</p> <p style="text-align: center;">Form of Option</p> <p style="text-align: center;">[See Rule__]</p> <p>(i) I_____hereby elect the revised pay structure with effect from 1st January, 2006.</p> <p>(ii) I_____hereby elect to continue on the existing scale of pay of my substantive/officiating post mentioned below until:</p> <p>* the date of my next increment</p> <p>The date of my subsequent increment raising my pay to Rs.</p> <p>I vacate or cease to draw pay in the existing scale.</p>						

The date of my promotion to _____

Existing Scale _____

Signature _____

Name _____

Designation _____

Office in which employed _____

Date:

Station:

* To be scored out, if not applicable.

THE GAZETTE OF INDIA

MEMORANDUM EXPLANATORY OF THE CENTRAL CIVIL SERVICES (REVISED PAY) RULES, 2008

Rule 1 - This is self-explanatory

Rule 2- This rule lays down the categories of employees to whom the rules apply. Except for the categories excluded under clause (2), the rules are applicable to all persons under the rule making control of the President serving in Departments paid from Civil Estimates. They do not apply to the employees under the Ministry of Railways and civilian personnel paid from Defence Services Estimates, for whom separate rules will be issued by the Ministries concerned. The rules do not also apply to Gramin Dak Sevaks in the Department of Posts. The rules, however, apply to work charged establishments.

Rule 3 & 4-These rules are self-explanatory.

Rule 5 -The intention is that all Government servants should be brought over to the revised pay structure except those who elect to draw pay in the existing scales. Those who exercise the option to continue on the existing scales of pay will continue to draw the dearness allowances at the rates in force on the 1st January, 2006 and the dearness allowances will count towards the emoluments for pension, etc. to the extent it so counted on the said date. If a Government servant is holding a permanent post in a substantive capacity and officiating in a higher post, or would have officiated in one or more posts but for his being on deputation etc., he has to option to retain the existing scale only in respect of one scale. Such a Government servant may retain the existing scale applicable to a permanent post or any one of the officiating posts. In respect of the remaining posts he will necessarily have to be brought over to the revised pay structure.

Rule 6-This rule prescribes the manner in which option has to be exercised and also the authority who should be apprised of such option. The option has to be exercised in the appropriate form appended to the rules. It should be noted that it is not sufficient for a Government servant to exercise the option within the specified time limit but also to ensure that reaches the prescribed authority within the time limit. In the case of persons who are outside India at the time these rules are promulgated, the period within which the option has to be exercised is three months from the date they take over charge of the post in India. In the case of Government servants the revised pay structure of whose posts are announced subsequent to the date of issue of these rules, the period of three months will run from the date of such announcement.

Persons who have retired between 1st January 2006 and the date of issue of these rules are also eligible to exercise option.

Rule 7(1) This rule deals with the actual fixation of pay in the existing scales on 1st January, 2006. A few illustrations indicating the manner in which pay of Government servants should be fixed under this sub-rule subject to stepping up of pay under Notes below rule 7(1) are given in the attached Annexure.

Rule 7(2)-The benefit of this rule is not admissible in cases where a Government servant has elected the revised pay structure in respect of his substantive post, but has retained the existing scale in respect of an officiating post.

Rule 8-This Rule prescribes the method of fixation of pay of employees appointed as fresh recruits on or after 1.1.2006.

Rule 9 & 10 - These rules prescribe the manner in which the next increment in the new scale should be regulated. The provision to this rule are intended to eliminate the anomalies of junior Government servants drawing more pay than their senior by the operation of substantive part of this rule and also taking care of the Government servants who have been drawing pay at the maximum of the existing scale for more than one year as on 1.1.2006 and also those Government servants who have been stagnating at the maximum of the existing scale and are actually in receipt of stagnation increment on an ad hoc basis.

Rule 11 to 17 - These rules are self-explanatory.

[F.No.1/1/2008-IC]
SUSHAMA NATH, Secy.

Illustration 1: Fixation of initial pay in the revised pay structure.

1.	Existing Scale of Pay	Rs. 4000-100-6000
2.	Pay Band applicable	PB-1 Rs. 5200-20200
3.	Existing basic pay as on 1.1.2006	Rs. 4800
4.	Pay after multiplication by a factor of 1.86	Rs. 8928 (Rounded off to Rs. 8930)
5.	Pay in the Pay Band PB-2	Rs. 8930
6.	Pay in the Pay Band after including benefit of bunching, if admissible	Rs. 8930
7.	Grade Pay attached to the scale	Rs. 2400
8.	Revised basic pay-total of pay in the pay band and grade pay	Rs. 11330

Illustration 2: Fixation of initial pay in the revised pay structure of medical officers

1.	Existing Scale of Pay	Rs. 10000-15200
2.	Pay Band applicable	PB-3 Rs. 15600-39100
3.	Existing basic pay as on 1.1.2006	Rs. 10000
	Dearness Pay (DP) on pay + NPA	Rs. 6250
	25% NPA on basic pay + DP	Rs. 4063
	Dearness Allowance (DA) @ 24%	Rs. 4875 (24% of basic pay+DP+NPA)
	Existing emoluments	Rs. 25188 (Rounded off to Rs. 25190)

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4.	Revised pay in the pay band after multiplication by a factor of 1.86 on basic pay	Rs. 18600
5.	DA on NPA	Rs. 976(24% of Rs. 4063)
6.	Pay in the Pay Bank attached to the scale	Rs. 19580 (18600+976=19576 Rounded off)
6.	Grade Pay attached to the scale	Rs. 6600
7.	Revised basic pay - total of pay in the pay bank and grade pay	Rs. 26180
8.	Revised NPA	Rs. 6545

Illustration 3

Stage 1: Initial fixation of Group D employee in -IS

1.	Existing Scale of Pay	Rs. 2500-55-2660-60-3200
2.	Pay Bank applicable	-IS Rs.4400-7440
3.	Existing basic pay as on 1.1.2006	Rs. 2840
4.	Pay after multiplication by a factor of 1.86	Rs. 5282(Rounded off to Rs. 5290)
5.	Pay in the Pay Bank	Rs. 5290
6.	Pay in the Pay Bank after including benefit of bunching, if admissible	Rs. 5290
7.	Grade Pay attached to the scale	Rs. 1300
8.	Revised basic pay - total of pay in the pay band and grade pay	Rs. 6590

Stage 2: Fixation of Group D employee possessing requisite qualification or after retraining

1.	Existing Scale of Pay	Rs. 2500-55-266--60-3200
2.	Pay Bank applicable	PB-1 Rs. 5200-20200
3.	Existing basic pay as on 1.1.2006	Rs. 2840
4.	Pay after multiplication by a factor of 1.86	Rs. 5282 (Rounded off to Rs. 5290)
5.	Pay in the Pay Bank PB-1	Rs. 5290
6.	Pay in the Pay Bank after including benefit of bunching, if admissible	Rs. 5530
	Grade Pay attached to the scale	Rs. 1800

8.	Revised basic pay - total of pay in the payq bank and grade pay	Rs. 7330
Illustration 4A: Pay fixation in cases where posts have been upgraded e.g. posts in pre revised pay scale of Rs. 3050-75-3950-80-4590 to Rs. 3200-85-4900 scale.		
1.	Existing Scale of Pay	Rs. 3050-4590 (Corresponding Grade Pay Rs. 1900)
2.	Pay Band applicable	PB-1 Rs. 5200-20200
3.	Upgraded to the Scale of Pay	Rs. 3200-4900 (Corresponding Grade Pay Rs. 2000)
4.	Existing basic pay as on 1.1.2006	Rs. 3125
5.	Pay after multiplication by a factor of 1.86	Rs. 5813 (Rounded off to Rs. 5820)
6.	Pay in the Pay Bank PB-2	Rs. 5820
7.	Pay in the pay bank after including benefit of bunching in the pre-revised scale of Rs. 3050-4590, if admissible	Rs. 6060
8.	Grade Pay attached to the scale of Rs. 3200-4900	Rs. 2000
9.	Revised basic pay-total of pay in the pay bank and grade pay	Rs. 8060
Illustration 4B: Pay fixation in cases where pay scales have been merged e.g. pre-revised pay scales of Rs. 5000-8000, Rs. 5500-9900 and Rs. 6500-10500		
1.	Existing Scale of Pay	Rs. 5000-150-8000
2.	Pay Bank applicable	PB-2 Rs. 9300-34800
3.	Merged with the scale of pay	Rs. 6500-200-10500
4.	Existing basic pay as on 1.1.2006	Rs. 5600
5.	Pay after multiplication by a factor 1.86	Rs. 10416 (rounded off to Rs. 10420)
6.	Pay in the Pay Bank PB-2	Rs. 10420
7.	Pay in the Pay Band after including benefit of bunching, if admissible	Rs. 10420
8.	Grade Pay attached to the scale of Rs. 6500-200-20500	Rs. 4200
9.	Revised basic pay-total of pay in the pay band and grade pay	Rs. 14620
Illustration 5: Pay fixation on grant of increment in the revised pay structure		
1.	Pay in the PB-2	Rs. 9300
2.	Grade pay	Rs. 4200
3.	Total of Pay + grade pay	Rs. 13500
4.	Rate of increment	3% of 3 above
5.	Amount of increment	Rs. 405 rounded off to Ts, 410

6.	Pay in the pay band after increment	Rs. 9300+410
7.	Pay after increment	Rs. 9710
8.	Grade pay applicable	Rs. 4200

ANNEXURE-II

Copy of Department of Expenditure Decision of the Government on the recommendations of the Sixth Central Pay Commission relating to grant of House Rent Allowance (HRA) and Compensatory (City) Allowance (CCA).

The undersigned is directed to say that, consequent upon the decision taken by the Government on the recommendations of the Sixty Central Pay Commission, the President is pleased to decide that, in modification of this Ministry's O.M. No. 2(37)-E.II(B)/64 dated 27.11.1965 as amended from time to time, O.M. No.2(30)/97-EII(B) dated 03.10.1997 and O.M. No. 2(21)/E.II(B)2004 dated 18.11.2004, the admissibility of these allowances shall be as under:-

(i) COMPENSATORY (CITY) ALLOWANCE:

The Compensatory (City) Allowance (CCA) stands **ABOLISHED**.

(ii) HOUSE RENT ALLOWANCE:

2. Based on the recommendations of the Sixty Central Pay Commission, the earlier classification of cities has been revised **viz.** A-1 to "X", A, B-1 & B-2 to "Y" and C & Unclassified to "Z". In determining the revised classification, the population of Urban Agglomeration area of the city has been taken into consideration. Accordingly, the rates of House Rent Allowance shall be as under:-

Classification of Cities/Towns	Rate of House Rent Allowance as a percentage of (Basic pay + NPA where applicable)
X	30%
Y	20%
Z	10%

3. The term "basic pay" in the revised pay structure means the pay drawn in the prescribed pay band plus and applicable grade pay but does not include any other type of pay like special pay, etc. In the case of Government servants in the pay scales of HAG+and above, basic pay means the pay in the prescribed scale.

4. In respect of those employees who opt to retain their pre-revised scales of pay, the pay for the purpose of these orders shall also include, in addition to the basic pay in the applicable pre-revised scales, Stagnation Increment(s), Dearness Pay and Non-Practising Allowance as per orders in force on 1.1.2006.

5. The list of cities/towns classified as 'X', 'Y' and 'Z' for the purpose of grant of House Rent Allowance is enclosed as Annexure to these orders.

6. The following orders have been issued by this Ministry in the past for grant of HRA/CCA at higher rates to the Central Government employees posted within the municipal area:-

- (i) O.M. No. 2(4)-E.II(B)/65 dt. 05.11.74 (HRA/CCA at Delhi rates in Faridabad Complex)
- (ii) O.M. No. 11023/9/E.II(B)/78 dt. 26.05.79 (HRA/CCA at Delhi rates in Ghaziabad municipal area.)
- (iii) O.M. No. 21011/20/89-E.II(B)-Vol. II dt. 31.01.90 (HRA/CCA at Delhi rates in NOIDA)

- (iv) O.M. No. 11013/2/81-E.II(B)/ dt. 03.08.82 (HRA at Mumbai rates in Navi Mumbai).
- (v) O.M. No. 11013/1/87-E.II(B) dt. 12.10.87 (HRA/CCA at Jalandhar rates in Jalandhar Cantt.)
- (vi) O.M. No. 11023/1/86-E.II(B) dt. 09.12.86 (HRA/CCA at Delhi rates in Gurgaon).
- (vii) O.M. No. 11018/6/87-E.II(B) dt. 29.12.88 (CCA at 'B-2' class rates in Jamnagar).
- (viii) O.M. No. 11018/2/83-E.II(B) dt. 14.11.86 (HRA at 'C' class in Mahe).
- (ix) O.M. No. 2(13)-E.II(B)/74-Vol.II dt. 16.04.92 (HRA at 'C' class rates in Goa and UT of Daman & Diu).
- (x) O.M. No. 2(27)-E.II(B)/65 dt. 09.08.65 (HRA at 'C' class rates in Coonoor).
- (xi) O.M. No. 2(54)-E.II(B) dt. 29.08.79 and O.M. No. 11016/2/81-E.II(B) dt. 30.04.81 (CCA in cities mentioned in these orders on the basis of costliness).
- (xii) O.M. No. 11014/1/E.II(B)/84 dt. 05.02.90 (HRA at 'A', 'B-1' & 'B-2' class rates in Shillong).
- (xiii) O.M. No. 11021/1/77-E.II(B) dt. 06.04.78 (HRA at 'C' class rates in hill stations).
- (xiv) O.M. No. 2 (10)/91-E.II(B) dt. 05.02.98 (HRA at 'B-2' class rates in Jammu).
- (xv) O.M. No. 2(30)/97-E.II(B) dt. 18.05.98 (classification of Kolkata and Chennai as 'A-1' class cities).
- (xvi) O.M. No. 2(3)/E.II(B)/04 dt. 01.03.04 (HRA at 'B-1' class rates in Goa and Port Blair and at 'C' class rates in the rural areas of A&N and Lakshadweep Islands).

However, due to (i) inclusion of Navi Mumbai within the UA of Greater Mumbai as per 2001 census, (ii) placement of existing 'C' class cities/towns as well as Unclassified places under new category "Z", (iii) abolition of CCA and (iv) upgradation of Jammu, Kolkata & Chennai on account of inclusion of UA, the special dispensation shall continue to be extended only to the following cities:-

- (i) Faridabad, Ghaziabad, NOIDA and Gurgaon at "X" class city rates.
- (ii) Jalandhar Cantt., Shillong, Goa & Port Blair at "Y" class city rates.

7. All other conditions governing grant of HRA under existing orders shall continue to apply.
8. Special Compensatory Allowance @ 2.5% of basic pay admissible w.e.f. 01.08.97 to Group 'C', 'D' and Group 'B' non-gazetted employees whose pay scales correspond to or are lower than the pay scales of Group 'C' employees posted at Gandhinagar as per this Ministry's O.M. No. 2(64)/97-E/II(B) dated 04.07.2001, also stands ABOLISHED.
9. These orders shall be effective from September 1, 2008.
10. The orders will apply to all civilian employees of the Central Government. The orders will also be applicable to the civilian employees paid from the Defence Services Estimates. In respect of Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and the Ministry of Railways, respectively.
11. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with Comptroller & Auditor General of India.
12. Hindi version will follow.

Madhulika P. Sukul
Joint Secretary to Govt. of India

**LIST OF CITIES/TOWNS WHERE HOUSE RENT ALLOWANCE
IS ADMISSIBLE TO CENTRAL GOVERNMENT EMPLOYEES**

S. No	STATES	CITIES CLASSIFIED	CITIES CLASSIFIED AS "Y"
1.	Andhra Pradesh	Hyderabad (UA)	Vijayawada (UA), Warangal (UA), Visakhapatnam (UA), Guntur
2.	Assam		Guwahati (UA)
3.	Bihar		Patna (UA)
4.	Chandigarh		Chandigarh
5.	Chhattisgarh		Dur-Bhilai Nagar (UA), Raipur (UA)
6.	Delhi	Delhi (UA)	
7.	Gujarat		Ahmedabad (UA), Rajkot (UA), Jamnagar(UA), Bhavnagar(UA), Vadodara(UA), Surat(UA)
8.	Haryana		Faridabad*
9.	Jammu & Kashmir		Srinagar(UA), Jammu (UA)
10.	Jharkhand		Jamshedpur (UA), Dhanbad (UA), Ranchi (UA)
11.	Karnataka	Bengaluru (UA)	Belgaum (UA), Humli-Dharwad, Mangalore (UA), Mysore (UA)
12.	Kerala		Kozhikode (UA), Kochi (UA), Thiruvananthapuram, Bhopal (UA), Jubalpur (UA)
13.	Madhya Pradesh		Gwalior (UA), Indore (UA), Bhopal (UA), Jabalpur
14.	Maharashtra	Greater Mumbai (UA)	Amravati, Nagpur (UA), Aurangabad (UA), Nashik (UA), Bhiwandi (UA), Pune (UA), Solapur, Kolhapur (UA)
15.	Orissa		Cuttack (UA), Bhubaneswar (UA)
16.	Punjab		Amritsar (UA), Jalandhar (UA), Ludhiana
17.	Pondicherry	Pondicherry (UA)	
18.	Rajasthan		Bikaner, Jaipur, Jodhpur (UA), Kota (UA)
19.	Tamil Nadu	Chennai (UA)	Salem (UA), Tiruppur (UA), Coimbatore (UA), Tiruchirappalli (UA), Coimbatore (UA), Tiruchirappalli (UA), Madurai (UA)
20.	Uttarakhand		Dehradun (UA)
21.	Uttar Pradesh		Moradabad, Meerut (UA), Ghaziabad*. Aligarh. Agra (UA), Bareilly (UA), Lucknow (UA), Kanpur (UA), Allahabad (UA), Gorakhpur, Varanasi (UA)
22.	West Bengal	Kolkata (UA)	Asansol (UA)

*Only for the purpose of extending HRA on the basis of dependency.

NOTE

The remaining cities/towns in various States/UTs which are not covered by classification as "X" or "Y" are classified as "Z" for the purpose of HRA.

[DPE O.M. No. 2(54)/2008-DPE (WC)-XI/08 Dated 14th October 2008]

23. Board level and below Board level executives and Non Unionised Supervisors in Central Public Sector Enterprises (CPSEs)-revision of scales of pay w.e.f. 01.01.2007.

The last revision of the scale of pay of below Board level and Board level executives and non-unionised supervisors, in Central Public Sector Enterprises was made effective from 1.1.1997 for a period of ten years. As the next pay revision fell due from 1.1.2007, the Government had set up a Pay Revision Committee (2nd PRC) under the chairmanship of Justice M. Jagannadha Rao, Retd. Judge of Supreme Court of India, to recommend revision of pay and allowances for above categories of employees following IDA pattern of pay scales. The Government after due consideration of the recommendations of 2nd Pay Revision Committee, have decided as follows:-

1. **Revised Pay Scales:-** The revised Pay scales for Board and below Board level executives would be as indicated in Annex-I.

2. **Fitment Benefit:**

- (i) A uniform fitment benefit @ 30%, on the basic pay plus DA @ 68.8% as on 01.01.2007 would be provided to all executives. The aggregate amount would be rounded off to the next ten rupees and pay fixed in the revised pay scale.
- (ii) If any extra ordinary increment (s) and / or increase in the pay in respect of executives/non unionized supervisors have been granted with retrospective effect, which affects the revision of pay as on 1.1.2007, such increment and/or increase in pay will be ignored for the purpose of fitment/pay revision.
- (iii) Where executives drawing pay at two or more consecutive stages in an existing scale get bunched, then, for every two stages so bunched, benefit of one increment shall be given.

3. **Affordability for implementation of pay revision:-** The revised pay scales would be adopted, subject to the condition that the additional outgo by such revision for a period of 12 months should not result in more than 20% dip in profit before tax (PBT) for the year 2007-08 of a CPSE in respect of executives as well as non-unionised supervisory staff taken together in a CPSE. CPSEs that cannot afford to pay full package, can implement with either PRP or no PRP. These CPSEs may pay the full package subsequently, provided the dip in the profit (PBT) is fully recouped to the original level.

4. The CPSEs, which are not able to adopt revised pay scales (2007), may give an increase on the basic pay plus DA drawn in the pre-revised scale as on 01.01.2007, with a uniform lower fitment of 10% or 20% depending upon their affordability, with the approval of their Ministry/Department.

5. **Increment:** Annual increment will be at the rate of 3% of the revised basic pay. Stagnation increment and increment for pay fixation on promotion will be as per Annex-II(A).

6. **Dearness Allowance:** 100% DA neutralization will be adopted for all the executives and non-unionised supervisors, who are on IDA pattern of scales of pay, w.e.f. 01.01.2007. Thus, DA as on 01.01.2007 will become zero with link point of All India Consumer Price Index (AICPI) 2001=100, which is 126.33 as on 01.01.2007. The periodicity of adjustment will be once in three months, as per the existing practice for these categories. The quarterly DA payable from 01.01.2007 will be as per new DA scheme as given in Annex-II (B).

7. **House Rent Allowance:** The House Rent Allowance to the employees of CPSEs will be at the following rates.

Cities with population Rates of HRA

50 lakhs and above	30% of Basic Pay
5 to 50 lakh	20% of Basic Pay
Less than 5 lakh	10% of Basic Pay

8. **Leased Accommodation:** 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.

9. **City Compensatory Allowance:** The City Compensatory Allowance stands dispensed with.

10. **Other Allowances/Perks:** The Board of Directors will decide on the allowances and perks admissible to the different categories of the executives subject to a maximum ceiling of 50% of the Basic 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, however, be outside the purview of ceiling of 50% of the Basic Pay.

- i) North-East Allowance limited to 12.5% of Basic Pay.
- ii) Allowance for Underground Mines limited to 15% of Basic pay.
- iii) Special Allowance upto 10% of Basic Pay for serving in the difficult and far flung areas as approved by concerned Ministries in consultation with the Department of Public Enterprises from time to time.
- iv) Non Practicing Allowance limited to 25% of Basic Pay for Medical Officers.

11. **The admissibility, quantum and procedure for determination of Variable Pay/Performance Related Pay** has been given in Annex.-III.

12. **Long Term incentives, introduction of cost to the company (CTC) concept in CPSEs, Pay of Executive on deputation/transfer to CPSEs, Pay of Government officers on deputation to CPSEs and Superannuation benefits** will be as per Annex.-IV.

13. **Gratuity.** The ceiling of gratuity of the executives and non-unionised supervisors of the CPSEs would be raised to Rs. 10 lakhs with effects from 1.1.2007.

14. **Company Car.** The company car would be provided to the Directors and CMDs. The Executive Directors/General Managers heading the projects of CPSEs may also be provided with the company car. For purposes of CTC, the expenditure on car provided should be excluded.

15. **Pay Revision in respect of non-unionised supervisory staff:** The revision of scales of pay for non-unionised supervisory staff may be decided by the respective Board of Directors of the CPSEs.

16. **Financial Implications:** The CPSE concerned has to bear the additional financial implications on account of pay revision from their own resources and no budgetary support will be provided.

17. **Issue of Presidential Directive, effective date of implementation and payment of allowances etc.:** The revised pay scales would be implemented by issue of Presidential Directive in respect of each CPSE separately by the concerned Administrative Ministry/Department. The revised pay scales will be effective from 1.1.2007. The payment of HRA, perks and allowances based on the revised scales will, however, be from the date of issue of Presidential Directive. The Board of Directors of each CPSE would be required to consider the proposal of pay revision based on their affordability to pay and submit the same to the Administrative Ministry/Department for approval. The concerned Administrative Ministry with the concurrence of its Financial Advisor will issue the Presidential Directive. A Copy of the Presidential Directive issued to the CPSEs concerned may be endorsed to the Department of Public Enterprises.

18. **Issue of instructions/clarifications and provision of Anomalies Committee:** The Department of Public Enterprises will issue necessary instructions/clarifications wherever required, in implementation of the above decisions. An Anomalies Committee consisting of the Secretaries of Department of Public Enterprises, Department of Expenditure and Department of Personnel & Training has been constituted to look into further specific issues/problems that may arise in implementation of Government's decision on the recommendations of 2nd PRC. Any anomaly should be forwarded with the approval of Board of Directors to the administrative Ministry/Department, who will examine the same and dispose off the issue. However, if it is not possible for the Administrative Ministry to sort out the issue, the matter may be referred to DPE, with their views, for consideration of the Anomalies Committee.

ANNEX. I		
(Para 1)		
REVISED SCALES OF PAY OF BOARD AND BELOW BOARD LEVEL EXECUTIVES IN CPSEs		
1	2	3
Grade	Existing	Revised
E0	6550-200-11350	12,600-32,500
E1	8600-250-14600	16,400-40,500
E2	10750-300-16750	20,600-46,500
E3	13000-350-18250	24,900-50,500
E4	14500-350-18700	29,100-54,500
E5	16000-400-20700	32,900-58,000
E6	17500-400-22300	36,600-62,000
E7*	18500-450-23900	43,200-66,000
E8*	20500-500-26500	51,300-73,000
E9*	23750-600-28550	62,000-80,000
Grade	Existing	Revised
Director (D)	18500-450-23900	43200-66,-000
CMD (D)	20500-500-25000	51300-73,000
Director (C)	20500-500-25000	51300-73,000
CND (C)	22500-600-27300	65,000-75,000
Director (B)	22500-600-27300	65,000-75,000
CMD (B)	25750-650-30950	75,000-90,000
Director (A)	25750-650-30950	75000-1,00,000
CMD (A)	27750-750-31500	80,000-1,25,000
*E7 only in CPSEs of Schedule A, B & C. *E8 only in CPSEs of Schedule A & B. *E9 only in CPSEs of Schedule A.		

Annex II(A)

(Para 5)

- i) Stagnation Increment: The rate of stagnation increment will be 3% of the revised basic pay and executives will be allowed to draw maximum three stagnation increments, one after every two years, upon reaching the maximum of the revised pay scale provided the executive gets a performance rating of "Good" or above.
- ii) Pay Fixation on Promotion: One notional increment equal to the increment being drawn by the executive in the pay scale, before such promotion would be granted and pay fixed in the promoted pay scale and rounded off to the next multiple of Rs. 10.

Annex II(B)

(Para 6)

Rates of Dearness Allowance for the employees of CPSEs following IDA pattern

Date of Dearness Allowance	Rate of Dearness Allowance (in percentage)
01.01.2007	0
01.04.2007	0.8
01.07.2007	1.3
01.10.2007	4.2
01.01.2008	5.8
01.04.2008	6.3
01.07.2008	9.2
01.10.2008	12.9

Annex III

(Para 11)

i) Variable Pay/Performance Related Pay:

The PRP has been directly linked to the profits to the CPSEs/units and performance to the executives. The percentage ceiling of PRP progressively increasing from junior level to senior level executives, expressed as percentage of pay are indicated below.

Grade	Percentage of Basic Pay
E-0 to E-1	40
E-2 to E-3	40
E-4 to E-5	50
E-6 to E-7	60
E-8 to E-9	70
Director (C & D)	100
Director (A & B)	150
CMD (C & D)	150
CMD (A & B)	200

For Non Unionised Supervisors, PRP as percentage of Basis Pay will be decided by the respective Board of Directors in a CPSE.

The above PRP will, however, be on the following conditions:

- a) The PRP would be payable at 100% eligibility levels in case the CPSE achieves the Memorandum of Understanding (MoU) rating as "Excellent". If the CPSE's MoU is rated as "Very Good", the eligibility of PRP would be 80% of the Basic Pay. In respect of "Good" and "Fair" rating, the eligibility levels would be 60% and 40% respectively. However, there will be no PRP irrespective of the profitability of the CPSE, in case it is rated as "Poor".
- b) The PRP would be based on physical and financial performance and will come out of profits of the CPSE, 60% of the PRP will be given with the ceiling of 3% of Profit before Tax (PBT) and 40% of PRP will come from 10% of incremental profit. Incremental profit would mean the increase in profit as compared to previous year's profit. The total PRP, however, will be limited to 5% of the year's PBT, which will be for executives as well as non unionized supervisors in a CPSE. The PRP for the year will be calculated latest by December of the following year based on the CPSEs performance as per audited accounts. The proposed PRP scheme will begin from the financial year 2007-08. There will be no incremental profit for the year 2007-08 as it will be the first year of introduction of PRP scheme. The amount available for PRP for above 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 CPSE's performance for the year 2008-09. Thus, this portion of PRP will be payable w.e.f. 2009-10.
- ii) **Memorandum of Understanding (MoU):** Each CPSE would be required to sign the MoU with its parent Ministry/Department/holding company. The MoU rating will form the basis of PRP with all the Key Result Areas identified in the MoU. No PRP will be eligible for the CPSEs that do not enter into MoU.
- iii) **Performance Management System (PMS):** Each CPSE would develop a robust and transparent Performance Management System. CPSEs would 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". Some CPSEs already have a PMS and others will have to frame a robust and transparent PMS to be able to pay PRP. However, CPSEs which do not have a robust and transparent PMS till date may put in place a robust and transparent PMS by 31.03.2009. For the period 01.01.2007 and till a PMS is in place not later than 31.03.2009, the executives will be governed by the existing guidelines of DPE on PRP, which is limited to 5% of distributable profit in an enterprise.
- iv) **Remuneration Committee:** Each CPSE would have Professional Boards with Independent Directors. CPSE to constitute a Remuneration Committee headed by an Independent Director. CPSE will not be eligible for PRP unless the Independent Directors are on its Boards. Remuneration Committee will decide the annual bonus/variable pay pool and policy for its distribution across the executives and Non Unionised Supervisors, within the prescribed limits.

Annex IV
(Para 12)

(i) **Long Term Incentives:**

All CPSEs would formulate Employees 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 ESOPs scheme, the concerned Administrative Ministry/Department should encourage the CPSEs coming under its control to get them listed on the Stock Exchanges.

(ii) The concept of cost to company (CTC) in CPSEs:

The concept of cost to Company would be introduced in all the CPSEs. The entire cost of an executive is explicitly made known by the CPSEs adopting the system of CTC for the purpose of reporting executive compensation. Pay, allowances, perquisites and retirement benefits should all be monetized and included while reporting the cost of manpower to the CPSE.

(iii) Pay etc. of Executives of CPSEs, on deputation/transfer:

The executives, who are brought into holding companies from subsidiary companies or vice-versa on deputation/transfer, will continue to draw their basic pay as drawn in the original company. They will, however, be entitled to draw the allowances and variable pay/performance related pay as applicable to the borrowing CPSE.

(iv) Pay etc. of Government officers on deputation to CPSEs:

The Government officers, who are on deputation to the CPSE, 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 CPSE scales, perks and benefits.

(v) Superannuation Benefits:

CPSEs would be allowed 30% of Basic Pay as Superannuation benefits, which may include contributory Provident Fund (CPF), Gratuity, Pension and Post-Superannuation Medical Benefits. The CPSEs 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 Benefit will be decided based on the returns from the schemes to be operated. The Pension and Medical benefits can be extended to those executives, who superannuate from the CPSE and have put in a minimum of 15 years of service in the CPSE, prior to superannuation.

[DPE O.M. No. 2(70)/08-DPE(WC)-Dated 26th November, 2008]

24. Revision of pay scales of executives of Central Public Sector Enterprises (CPSEs) w.e.f. 01.01.2007- Performance Management system (PMS)-linkage of Performance Related Pay (PRP) with MoU rating of CPSE and performance of individual executives-regarding.

The undersigned is directed to refer this Department's O.M. of even No. dated 26.11.2008 regarding pay revision of Board level, below Board level executives and Non-Unionized Supervisors in CPSEs w.e.f. 01.01.2007 Para (i) of Annex. III to the said O.M. provides that Performance Related Pay (PRP) has been directly linked to the profits of the CPSEs/Units and performance of the executives.

2. Illustration of methodology for implementation of PRP with reference to MoU rating of CPSE and performance rating of individual executives has been given by way of examples in para 6.2.3 (i) (ix) of the report of the 2nd Pay Revision Committee. Report of the Committee is available on the website of this Department www.dpe.nic.in.

3. The above methodology be followed by the CPSEs for payment of PRP for individual executives and non-unionized supervisors.

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 Year 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 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(Rs)
PRP from current profit	0.60	X 408000	X 1.00	X 0.60	X 0.40	X 1.00		69120
PRP from Incremental profit	0.40	X 408000	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 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							

[DPE O.M. No. 2(70)/08-DPE(WC)-GL IV/09 Dated 9th February, 2009]

25. Pay revision of Executives of Central Public Sector Enterprises (CPSEs) - Role of Financial Advisors in respect of pay revision proposals of CPSEs.

A reference is invited to this Department's O. Ms. No. 2(76)/08-DPE (WG) dated 26.11.2008, 09-02.2009 and 02.04.2009 regarding pay revision of Executives and Non-Unionized Supervisors in CPSs following IDA pattern of scales of pay w.e.f. 01.01.2007.

2. Para 17 of the O.M. dated 26.11.2008, inter-alia provides that the Board of Directors of each CPSE would be required to consider the proposal of pay revision based on their affordability to pay and submit the same to the administrative Ministry/Department for approval. It has also been provided that the revised pay and allowances would be implemented by the concerned administrative Ministry/Department by issuance of Presidential Directives in respect of each CPSE under their administrative control separately.

3. While considering the proposal for revision of pay for executives of individual CPSEs and before issue of Presidential Directives, attention is invited to some of the salient features of the pay revision as approved by the Union Cabinet and communicated through the O. Ms. under reference. Various ceilings/limits prescribed are as follows:-

- i) Additional outgo by the pay revision keeping in mind the changes agreed to vide OM dated 02.04.09 for a period of 12 months should not result in more than 20% dip in profit before tax (PBT) for the year 2007-08 of a CPSE in respect of executives as well as non-unionised supervisory staff taken together in a CPSE.
 - ii) Maximum ceiling of 50% of the Basic Pay for Perks and Allowances.
 - iii) apportioned amount of resuming expenditure on maintaining and running the infrastructure facilities to be restricted to 10 percent of the basic pay of all executives and non-unionised supervisors.
 - iv) Maximum ceiling of 30% of Basic Pay plus DA for superannuation benefits.
 - v) Maximum ceilings for variable pay depending on the grade of the executive, his performance rating, MoU rating of CPSE, etc. as prescribed in O.Ms. dated 26.11.08 and 09.
 - vi) The quantum of total PRP of a CPSE would be based on physical and financial performance and will come out of profits of the CPSE. 60% of the PRP will be given with the ceiling of 3% of PBT and 40% of PRP will come from 10% of incremental profit. The total PRP will be restricted to 5% of PBT.
 - vii) Ceilings mentioned under various items are the maximum permissible. However, lower ceilings against the maximum permissible limits can be provided in the Presidential Directives, depending upon affordability, capacity to pay and sustainability of the concerned CPSE.
4. It has been observed that, while implementing last pay revision (1997), there have been aberrations/ departures from the pay scales provided, including the increment rate resulting in anomalous situations. The Committee of Ministers has taken a serious note of this and has observed that such aberrations need to be corrected.
5. For the purpose of fitment, O.M. dated 26.11.08 specifically prohibits inclusion of special pay, personal pay, extra ordinary increment(s) and/or increase in the pay in respect of executives/non unionised supervisors granted with retrospective effect, which affects the revision of pay as on 1.1.2007.
6. Each CPSE would have to develop a Performance Management System (PMS). CPSE would have to adopt a 'Bell Curve Approach' in grading the officers so that not more than 10% to 15% executives are 'Outstanding/excellent' and similarly, 10% of executives have to be graded as 'Below par'.
7. Allowances at revised rates are applicable from 26.11.2008 i.e. date of DPE O.M. on pay revision, provided Presidential Directives are issued within one month of DPE O.M. dated 2.4.2009.
8. These are some of the salient features, which are not exhaustive in nature, being highlighted in order to facilitate the Ministries to expedite examination of pay Revision proposals of CPSEs under their administrative control. Unlike earlier pay revision guidelines, Presidential Directive for this pay revision has to be issued by the Administrative Ministry of the concerned CPSE with the concurrence of its Financial Advisor.

[DPE O.M. No. 2(76)/08-DPE(WC)-GL VIII/09 Dated 2nd April 2009]

26. Revision of scales of pay w.e.f. 01.01.2007 for Board level and below Board level executives and Non-Unionised supervisors in Central Public Sector Enterprises (CPSEs) - Report of the Committee of Ministers thereon.

The undersigned is directed to refer to this department's O.Ms. of even number dated 26.11.2008 and 09.02.2009 regarding pay revision of Executives and Non-unionised Supervisors of CPSEs w.e.f. 1.1.2007.

Subsequent to issue of O.M. dated 26.11.2008, the Government constituted a committee of Ministers to look into the demands raised by CPSE executives of Oil and Power Sectors.

2. The Government, after due consideration of the recommendations of the Committee of Ministers have decided further as follows:

- i) **Benefit of merger of 50% DA with Basic pay for fitment purpose:** The benefit of merger of 50% DA with Basic pay w.e.f. 01.01.2007, effectively amounting to 78.2%, would be allowed for the purpose of fitment and pay fixation in the revised pay scales (Para 2 (i) of DPE O.M. dated 26.11.2008)
- ii) **Superannuation Benefit:** The ceiling of 30% towards superannuation benefits would be calculated on Basic Pay plus DA instead of Basic Pay alone. Any superannuation benefit will be under a "defined contribution scheme" and not under a "defined benefit scheme". CPSEs that do not have superannuation scheme, may develop such scheme and obtain the approval of their Administrative Ministry. However, no other superannuation benefit can be granted outside this 30% ceiling. (Para 12, Annex IV(v) of O.M. dated 26.11.2008 refers)
- iii) **House Rent Allowance:** There is no change in HRA rates as provided in O.M. dated 26.11.2008. However, in case the actual amount of House Rent Allowance as per prescribed rate is less than the actual amount of HRA drawn earlier in the case of a particular officer, the difference, would be allowed to be drawn by the officer as person allowance until the difference eliminated in course of time subject to the condition that the difference will be subsumed within the overall limit prescribed for perquisites and allowances. (Para 7 of O.M. dated 26.11.2008 refers)
- iv) **Other perquisites and allowances:** Para 10 of O.M. dated 26.11.2008 provided, inter alia, that "in Places, where CPSEs have created infrastructure such as hospitals, colleges, schools, clubs, etc., these facilities should be monetised at replacement cost for the purpose of computing the perks and allowances."

It has now been decided that for the purpose of reckoning the value of infrastructure facilities, the recurring expenditure on maintaining and running the infrastructure facilities alone would be taken into account. The recurring expenditure should be divided into two parts, based on the proportion of total basic pay of executives and non-unionised supervisors and the total basic pay of workmen. The part attributable to the executives and non-unionised supervisors would be reckoned as the expenditure on perquisites and allowances, subject to the condition that the said amount shall be restricted to 10 per cent of the basic pay of all executives and non-unionised supervisors within the overall limit of 50 per cent of basic pay (Para 10 of O.M. dated 26.11.2008 refers)

The benefit of North East Allowance limited to 12.5% of Basic Pay may also be extended to the Ladakh Region as admissible to Central Government employees. (Para 10 (i) of O.M. dated 26.11.2008 refers)

- v) **Effective date for revised allowances:** It has been decided that if Presidential Directives are issued by the respective Ministries/Departments within one month from the date of issue of this O.M., the revising allowances may be taken as 26.11.2008, being the date of issue of first O.M. by the date of issue of this O.M., the revised allowances shall be effective only from the date of issue of Presidential Directives. The effective date of allowances can in no case be prior to 26.11.2008. (Para 17 of O.M. dated 26.11.2008 refers)
- vi) **Introduction of intermediary pay scales to correspond with existing pay scales:** It has been decided that there will be no change in the ten pay scales of below board level posts as indicated in O.M. dated 26.11.2008 and there is no justification for introducing intermediary pay scales. If there

have been any aberrations, they need to be corrected. Every officer has to be fitted into the corresponding new pay scale.

However, if there is any exceptional case regarding intermediary pay scales, the same may be referred by the administrative Ministry concerned to the DPE. The issue will be decided by DPE with concurrence of Department of Expenditure, on a case to case basis without altering the minimum and the maximum of the revised pay scale.

vii) **Other demands:** Government has decided on the basis of the recommendations of the Committee of Ministers that no other change need be made in the O.M. dated 26.11.08 and 09.02.09 issued by the DPE regarding revision of pay scales of Executives and non-unionised supervisors of CPSEs.

3. Government has also decided that benefits under this O.M. read with the earlier decision as conveyed vide O.M. dated 26.11.2008 and 09.02.2009 has to be viewed as a total package. It has also been decided that the pay revision package as communicated by earlier O.Ms. along with the above modifications would be applicable to all the CPSEs.

4. The ceiling mentioned under various items given in O.Ms. dated 26.12.08, 09.02.09 and this O.M. are the maximum permissible limits. However, lower limits against these maximum permissible limits can be provided in the Presidential Directives, depending upon affordability, capacity to pay and sustainability of the concerned CPSE.

[DPE O.M. No. 2(70)/08-DPE(WC)-GL VII/09 Dated 2nd April 2009]

27. Revision of scales of pay w.e.f. 1.1.2007 for Board level and below Board level Executives and Non-Unionised Supervisors in Central Public Sector Enterprises (CPSEs)-Regarding.

The undersigned is directed to refer to this Department's O.M. of even number dated 02.04.2009 on the subject mentioned above. In this regard specific attention is invited to Paras 4 and 5 of the above-mentioned O.M.

2. The Second Pay Revision Committee (2nd PRC), in Para 6.2.3(B) in table 6.7, of their report, for the purpose of fitment method has recommended, "Basic Pay+ Stagnation increments as on 1.1.2007 (Personal Pay/Special Pay not to be included)". The Government has accepted this recommendation. In view of Government's decision, DPE O.Ms. dated 26.11.2008 and 02.04.2009 prescribed that only Basic Pay, Stagnation Increment, Dearness Pay and Dearness Allowance as on 01.01.2007 are to be considered for the purpose of fitment.

3. The Committee of Ministers constituted by the Prime Minister to look into some issues regarding pay revision of executives of CPSEs has observed that, "Justice Mohan Committee (First PRC) had not recommended any 'Protected Pay' with effect from 01.01.1997. It is also noted that for the purpose of fitment, the Second PRC had specifically recommended to include Basic Pay plus Stagnation Increments as on 01.01.2007 and recommended exclusion of the personal pay/special pay. Government has accepted this recommendation." The Committee of Ministers also concluded that, "there is no case for modifying the Government's decision."

Government has accepted the above recommendation of the Committee of Ministers as well, and orders in this regard were issued vide DPE O.M. of even number dated 02.04.2009.

4. DPE O.M. dated 26.11.2008 has, inter alia, stated that, if any extra ordinary increments(s) and/or increase in the pay in respect of executives/non unionized supervisors have been granted with retrospective effect, which affect the revision of pay as on 1.1.2007, such increments and/or increase in pay will be ignored for the purpose of fitment/pay revision."

5. It may also be mentioned that the Committee of Ministers in their report has observed that violations/aberrations from DPE guidelines cannot be perpetuated. The Committee of Ministers has also recommended that, "If there have been any aberrations, they need to be corrected now".

6. In view of the above, the administrative Ministries/Departments should give proper attention so that the pay of individual executives and non-unionised supervisors in a CPSE as on 01.01.2007, for fitment purpose, should be calculated as per DPE guidelines issued from time to time. Any extra ordinary/unauthorized increments or increase in pay, which do not conform to the prevailing DPE guidelines should be ignored for pay revision of the executives and non-unionised supervisors. CPSEs should be instructed suitably.

[DPE O.M. No. 2(76)/08-DPE(WC) 09th Apri.2009]

28. Reimbursement of Repair & Maintenance Charges related to Leased/Self Leased Accommodation.

The Undersigned is directed to invite attention to Para '10' of this Department's O.M. No. 2(49)/98-DPE (WC) dated 25.06.1999, which provides that "in respect of leased accommodation, the Boards of Public Enterprises will have the flexibility to review and provide for an adequate level of leased accommodation for executives who are entitled to this facility".

2. It has been brought to the notice of this Department by the office of the C&AG that some CPSEs have been reimbursing to the extent of two months rental entitlement on account of essential repairs, maintenance, minor alteration and periodical white washing/painting etc., to their executives only on certification basis. The C&AG has observed that since the required repair and maintenance of the leased accommodation was the liability of the concerned Lessor, reimbursement to the extent of two months lease rent per financial year that too only on certification basis, lacked justification. The C&AG report also brings out that the CPSEs are also allowing leasing of houses under self lease, as such, in most of the cases the lessee and beneficiary for whom the accommodation has been hired are the same. The report of C&AG has not found the response of the Management of CPSEs tenable and concluded that incurring expenditure by the CPSEs merely on the basis of the basis of certification provided twice on the same account (repair and maintenance) once as part of composite lease rent and secondly as reimbursement (two months lease rent) to its executives, who have been provided lease accommodation, lacks justification.

3. It may be mentioned that in the past also certain irregularities in the matters of leased accommodation had come to the notice of the Government. DPE vide O.M. dated 05.06.2003 issued the guidelines to the Administrative Ministries/Departments with a copy to CPSEs conveying, inter alia, that although the Boards of Public Enterprises have the flexibility to review and provide for an adequate level of leased accommodation to their executives, Boards should exercise their control meticulously in order to see that no undue advantage accrues to the concerned officers."

4. In view of the objections raised by the C&AG and also as per the provisions contained in para 10 of DPE O.M. dated 25.6.1999, it is clarified that the Boards of CPSEs have not been permitted to reimburse any amount of lease rent to its executives towards repair and maintenance charges for the leased accommodations. It is again emphasized that leased accommodation should not become a source of additional income for the executives concerned.

[DPE O.M. No. 2(27)/05-DPE(WC)-GL-XIII/09 Dated 20th May 2009]

29. Fixation of pay of the Board level incumbents in CPSEs.

The undersigned is directed to invite attention to DPE O.M. No. 2(10)/02-DPE (WC) dated 14.03.2002 regarding fixation of pay of executive when he/she is appointed to the board level post in a CPSE. This O.M.

provides that the pay drawn by the executive in the lower post held by him/her on regular basis will be notionally increased by one increment or Rs. 100/- whichever is more and the pay in the higher post will be fixed at the stage next above the notionally increased pay of the lower post.

2. In cases, where, it is not possible to fix the pay of Board level executives, by applying the above provision, the pay in such case is fixed based on the emoluments drawn in previous post and residual amount is considered as personal pay, which is to be absorbed in future pay fixation/pay revision. It is, however, observed that such situation of pay fixation arises, where the board level executive is appointed to a post carrying a lower pay scale because the CPSE may be in pre-revised scale or may be in a lower schedule. It has been noticed that by protecting the emoluments drawn by the incumbent to draw the pay at maximum of the scale and residual amount as Personal Pay, results into anomalous situations, where other Directors of Board of a CPSE and also the CMD, draw much lesser salary in comparison to such incumbent.

3. It may be mentioned that 2nd Pay Revision Committee (2nd PRC) in its report recommended exclusion of any special pay or personal pay for the purpose of fitment. This recommendation has been accepted by the government. Subsequently, Government also constituted a Committee of Ministers to look into some issues regarding pay revision of executives of CPSEs. The Committee of Ministers in their report observed that, 'Justice Mohan Committee (1st PRC) had not recommended any protected pay w.e.f. 01.01.1997.' The Committee of Ministers agreed with the 2nd PRC recommendation regarding exclusion of personal pay/special pay for the purpose of fitment.

4. In view of foregoing, it has been decided that henceforth the pay of Board level Executives will be fixed after notionally increasing their pay by one increment and rounding off to the next Rs. 10/- in the new scale. If the pay so arrived at is more than the maximum of the new scale, then the pay would be fixed at the maximum of the scale. In no case, the difference, if any, between the earlier pay and revised pay will be permitted to be drawn as Personal Pay.

5. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs under their administrative control. The proposals for pay fixation of Board level incumbents in future may be sent to DPE accordingly.

[DPE O.M. No. 2(24)/09-DPE(WC)-GL-XIV/09 Dated 2nd June, 2009]

30. Revision of scales of pay of executives of CPSEs w.e.f. 01.01.2007, pay etc of Government Officers on deputation CPSEs.

The undersigned is directed to invite attention to para '12' Annex. IV, Point No. (iv) of DPE O.M. No. 2(70)/08-DPE (WC) dated 26.11.2008 which provides that "the Government Officers, who are 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 CPSE scales, perks and benefits".

2. Some Ministries/Departments particularly Ministry of Railways raised difficulties in implementation of the aforesaid clause. In accordance with the provisions as contained in para '18' of O.M. dated 26.11.2008, issues so raised were considered by the Anomalies Committee. Based on the recommendations of the Anomalies Committee, it has been decided as follows:-

- (a) The Government officers already on deputation with the CPSEs as on 26.11.2008 (the date of issue of O.M. by the DPE regarding the revision of scale of pay of the executives and non unionised supervisors of CPSEs) will continue to avail of the option already available and exercised by them till the end of their deputation tenure. The extension, if any given after 26.11.2008 will not qualify for this dispensation.

- (b) The Board level executives who have been selected through PESB mechanism in IDA scales, and appointed on deputation basis, by ACC/Competent Authority prior to 26.11.2008 will continue to get the same scales with all its associated benefits till the end of their tenure.
 - (c) It may be emphasized that the pay revision of the executives is a total package and the scales, perks and allowances should not be mixed. Accordingly the executives getting the CDA pay scales will continue to get benefits, perks and allowances applicable to CDA scales and executives who are getting IDA pay scales will get perks and allowances applicable to IDA scales.
3. The decisions contained in para 2 above are enabling provisions. All the conditions indicated in DPE O.Ms dated 26.11.2008, 09.02.2009 and 02.04.2009 will be applicable mutatis mutandis to such executives also.
4. All administrative Ministries/Departments of the Government of India are requested to issue suitable instructions to the CPSEs under their administrative control.

[DPE O.M. No. 10(21)09-DPE(WC) Dated 8th June, 2009]

31. Standard Terms and Conditions for 2007 IDA pay scales in respect of Board level executives of CPSEs.

The undersigned is directed to state that orders on revised pay scales etc. in respect of executives of CPSEs following IDA pattern of pay scales, w.e.f. 01.01.2007 have been issued *vide* DPE O.Ms. dated 26.11.2008, 09.02.2009 and 02.04.2009. Based on the Government policy declared in these O.Ms. standard terms and conditions in respect of Board level executives of the CPSEs following IDA pay scales have been finalized by DPE. A copy of the standard terms and conditions is enclosed.

2. All proposals for pay fixation and terms & conditions of Board level executives in 2007 pay scales may be forwarded to DPE for vetting along with draft terms and conditions in the revised format.
3. Cases, where DPE has already approved the pay fixation based on 2007 IDA pay scales in respect of Board level executives of CPSEs, the terms and conditions of such Board level executive may be finalized as per the enclosed standard terms & conditions. A copy of the terms & conditions so finalized may be endorsed to DPE, by quoting the DPE's reference No given in the pay fixation case of the respective Board level executive.
4. This issues with the approval of Secretary in this Department.

STANDARD TERMS AND CONDITIONS FOR 2007 PAY SCALES IN RESPECT OF BOARD LEVEL EXECUTIVES OF CPSEs

MINISTRY OF _____

DEPARTMENT OF _____

To

Subject:- Appointment of Shri/Smt./Kum. _____ as _____ in _____ terms and conditions of

Sir/Madam,

I am directed to convey the sanction of the President to the appointment of Shri/Smt./Kum. _____ as _____ in _____ w.e.f. _____ on the following terms and conditions:—

1.1 Period: His/her appointment will be for a period of five years w.e.f. _____ (date of appointment) in the first instance or till the date of superannuation or until further orders, whichever event occurs earlier and in accordance with the provisions of the Companies Act, 1956 as amended. The appointment may, however be terminated even during this period by either side on 3 months notice or on payment of three months salary in lieu thereof.

1.2 After the expiry of the first year, the performance of Shri/Smt./Kum. _____ will be reviewed to enable the Government to take a view regarding continuance or otherwise for the balance period of tenure.

1.3 Headquarters: His/her headquarters will be at _____ where the registered office/headquarters of the CPSE is located. He/She will be liable to serve in any part of the country at the discretion of the CPSE.

1.4 Pay: Shri/Smt./Kum. _____ will draw a basic pay of Rs. _____ per month in the scale of Rs. _____ from the date of assumption of Office (*w.e.f.* date of pay revision in case appointed earlier than that).

1.5 Dearness Allowance: He/She would be paid DA in accordance with the new IDA scheme as spelt out in the DPE's O.M. dated 26.11.2008 & 02.04.2009.

1.6 Annual Increment: He/She will be eligible to draw his/her annual increment @ 3% of basic pay on the anniversary date of his appointment in the scale and further increments on the same date in subsequent years until the maximum of pay scale is reached. After reaching the maximum of the scale, one stagnation increment equal to the rate of last increment drawn will be granted after completion of every two-year period from the date he/she reaches the maximum of his/her pay scale provided he/she gets a performance rating of "Good" or above. He/She will be granted a maximum of three such stagnation increments.

1.7 House Rent Allowance: He/She will be entitled to HRA as per the rates indicated in O.M. dated 26.11.2008.

1.8 Residential accommodation and recovery of rent for the accommodation so provided.

1.8.1 Company's own accommodation: Wherever the CPSE has built residential flats in the industrial township or purchased residential flats in the cities, arrangements would be made by the CPSE to provide a suitable residential accommodation to him/her.

1.8.2 Leased accommodation: If the CPSE either in township or is not able to provide residential accommodation out of the residential flats & purchased by it in the Headquarter, suitable accommodation could be arranged by the CPSE by taking the premises on lease basis at headquarter of the company. The Boards of Directors may decide the size, type and locality of such accommodations as per DPE O.Ms. dated 05.06.2003, 26.11.2008 and 02.04.2009. For purposes of CTC, 30% of basic pay may be considered as expenditure on Housing.

1.8.3 Self-lease: If he/she owns a house at the place of his posting (Headquarter) and is desirous of taking his/her own house on self-lease basis for his/her residential purposes, the CPSE can permit him/her to do so

provided he/she executes a lease-deed in favour of the CPSE. The Boards of Directors may decide the size, type and locality of such accommodations.

1.8.4 Repair/maintenance of leased accommodation: The responsibility for repair and maintenance of leased accommodation is that of the lessor. Lease rent will be allowed only for 12 months in a year and no additional amount will be provided towards repair/maintenance of leased accommodation.

1.8.5 Existing lease deeds: The lease agreement signed by the CPSE in respect of the accommodation taken on lease basis for him/her, if any prior to 26.11.2008 would not be re-opened during the pendency of the lease period. The lease money, in other words, should not be hiked till the expiry of lease period. This proviso would be applicable even if he/she had been permitted to take his/her own house on self-lease basis.

1.8.6 Office accommodation: No office accommodation at the expense of the CPSE would be provided or arranged by the CPSE at his/her residence.

1.9 Rent Recovery:

1.9.1 CPSE's township/own flats: Recovery of rent for the accommodation arranged by the company in its own township or from the pool of flats purchased by it in cities and towns and so allotted to him/her would be made at the rate of 10% of basic pay from (date of Joining) _____ or the standard rent fixed by the company whichever is lower. Where the CPSE has prescribed flat rates of recovery in respect of accommodation in its townships depending on each type of accommodation *i.e.* recovery of rent on uniform basis for each type of accommodation, then rent would be paid by him/her as prescribed by the CPSE.

1.9.2 Leased accommodation: In respect of leased accommodation arranged by the CPSE, rent would be recovered from him/her at the rate of 10% of basic pay from (date of Joining) _____ or the actual rent which ever is lower.

1.10 Conveyance: He will be entitled to the facility of staff car for private use as indicated below:

Name of the City	Ceiling on non-duty journeys
Delhi, Mumbai, Kolkata, Chennai Bangaluru, Hyderabad	1000KM/PM
All the other cities	750 KM/PM

Monthly rate of recovery for non-duty journeys would be as follows:

Non-air conditioned cars Rupees per month

Below 16 HP	325/-
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Above 16 HP	490/-
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Air-conditioned cars (The Chief Executive of Schedule 'A' PSE may be allowed air-conditioned cars)

Below 16 HP	520/-
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Above 16 HP	780/-
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1.11 **Leave:** He/She will remain subject to the Leave Rules of the CPSE.

1.12 **Other Allowances/Perks:** The Board of Directors will decide on the Allowances and Perks subject to a maximum ceiling of 50% of his/her basic pay as indicated in O.M. dated 26.11.2008 and 02.04.2009.

1.13 **Performance Related Payment:** He/She shall be eligible for approved PRP as per O.Ms. dated 26.11.2008, 09.02.2009 and 02.04.2009

1.14 **Superannuation Benefits:** He/She shall be eligible for superannuation benefit based on approved schemes as per O.Ms. dated 26.11.2008 & 02.04.2009.

1.15 Conduct, Discipline & Appeal Rules:

1.15.1 The Conduct, Discipline and Appeal Rules framed by the CPSE in respect of their non-workmen category of staff would also mutatis mutandis apply to him/her with the modification that the Disciplinary Authority in his/her case would be the President of India.

1.15.2 The Government also reserves the right not to accept his/her resignation, if the circumstances so warrant *i.e.* the disciplinary proceedings are pending or a decision has been taken by the competent authority to issue a charge sheet to him/her.

1.16 Restriction on Joining Private Commercial Undertakings after Retirement/Resignation

Shri/Smt./Kum. _____ after retirement/resignation from the service of this CPSE shall not accept any appointment or post, whether advisory or administrative in any firm or company whether Indian or foreign, with which the CPSE has or had business relations, within one year from the date of his retirement/resignation, without prior approval of the Government.

2. In respect of any other item, concerning him/her which is not covered in preceding paras, he/she will be governed by the relevant Rules/instructions of the CPSE/Government.

3. This issues with the concurrence of the Finance Division *vide* their U.O. No. _____ dated _____ and Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises (DPE) *vide* their U.O. No. _____ dated _____

Yours faithfully

(_____)

Copy to Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Wage -Cell, Block No. 14, CGO Complex, Lodhi Road, New Delhi, w.r.t. U.O Note No. _____ dated _____

[DPE O.M. No. 2(30)09-DPE(WC) Dated 30th December,2009]

32. Fixation of pay in the cases, based on emoluments, of the Board Level incumbents in CPSEs.

The undersigned is directed to refer to DPE O.M. of even number dated 02.06.2009 on the subject mentioned above. After careful consideration, it has been decided to withdraw the O.M. dated 02.06.2009 and restore the status of *protecting emoluments* drawn as was applicable prior to 02.06.2009, in such cases.

2. If the pay drawn is more than the maximum of the scale (in which the incumbent has been appointed), then the pay would be fixed at the maximum of the scale and the difference, if any, between the

earlier pay/emoluments {basic pay, grade pay (if any)+DA} and pay to be fixed (BP+DA) will be permitted to be drawn as 'Personal pay', as was being done prior to 02.06.2009 in such cases.

3. It is clarified that, the above pay fixation formulae, would be applicable only in dissimilar cases, i.e. incumbents pay is to be fixed in the pre-revised scale from a later scale of pay or in case of movement from CDA scales to IDA scales.

4. It is further clarified that the Personal Pay permitted under above provisions may not be confused with Special/Protected/Personal Pay disallowed under DPE O.M. No. 2(76)/08-DPE (WC) 09.04.2009.

[DPE.O.M. No. 2(24)/09-DPE(WC)-GL-IV/2010 Dated 5th March, 2010]

33. Recommendations of 2nd Pay Revision Committee (PRC) in respect to sick CPSEs and CPSEs having income level less than Rs. 50 crore.

The undersigned is directed to refer to the recommendations of 2nd Pay Revision Committee (PRC) in respect of the following 2 categories of CPSEs:

- (i) Sick CPSEs (Para 6.2.4 of the 2nd PRC Report) (copy attached)
- (ii) CPSEs having income level of less than Rs. 50 crore (Para 6.2.5(b) of the 2nd PRC Report) (copy attached)

2. The recommendations were circulated to *concerned* administrative Ministries/Departments for feasibility of implementing and methodology of operationalising these recommendations vide DPE's O.M. of even number dated 14.01.2009. However, response of the concerned Administrative Ministries/Departments has been extremely poor.

3. With regard to the 2nd PRC's recommendation of Sick CPSEs (Para 6.2.4. of the Report), it is worth mentioning that para '3' of the DPE O.M. dated 26.11.2008 provides condition of affordability (concept of 20% dip in PBT) for implementation of 2007 pay revision. Para 4 of the said O.M. dated 26.11.2008 provides uniform lower fitment of 10% or 20% for increase in pre-revised Basic Pay plus DA in respect of the CPSEs, which are not able to adopt 2007 pay revision. Further, para 4 of O.M. dated 02.04.2009 provides that ceiling mentioned in the O.Ms. dated 26.11.2008, 09.02.2009 and 02.04.2009, are the maximum permissible limits and lower limits against these maximum permissible limits can be provided, depending upon affordability, capacity to pay and sustainability of the concerned CPSEs. Further, apart from the statutory body viz. Board of Industrial and Financial Recommendations (BIFR) there is a recommending body viz. Board for Reconstruction of Public Sector Enterprises (BRPSE), to advise the Government for revival or otherwise of the CPSEs. As regards 2nd PRC's recommendation regarding retirement age of Board level executives, DPE O.M. No. 18(11)/2005-GM-GL-88 dated 24.07.2007 already provides for extension of tenure till the age of 65 of Board level incumbent of such CPSEs who has contributed exceedingly well in the turnaround of the sick CPSE.

4. Since each CPSE is functioning under unique circumstances with its own specific economic issues etc., it has been decided that for sick CPSEs (Para 6.2.4 of the 2nd PRC Report), the concerned Administrative Ministry/Department may take suitable action on case by case basis based on BIFR/BRPSE recommendations and Government decision thereon as per existing guidelines.

5. With regard to 2nd PRC's recommendation regarding CPSEs having income level of less than Rs. 50 crore {Para 6.2.5.(b) of the Reptot}, it may be mentioned that individual CPSEs have been set up for specific purposes and they function under unique circumstances. Some of them have been set up in social/financial/ services etc. sectors. It has also been decided that the fate of CPSE's with income levels of less than Rs. 50

crores may be decided by the Administrative Ministry/Department, on a case by case basis, with the concurrence of their Financial Adviser and in consultation with Department of Disinvestment and other stakeholders, if necessary and also with the approval of competent authority.

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

Encl: As above.

2nd PRC's recommendations on compensation package in Sick CPSEs and CPSEs in Category 'D' having income levels of less than Rs. 50 Crores.

"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 even 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

- 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."

[DPE O.M. No.2(74)/08-DPE(WC)-GL-XI/2010 Dated 16th June,2010]

34. Pay revision of CPSEs employees following CDA pattern in 69 Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer to this Department O.M. of even No. dated 14.10.2008 and dated 20.01.2009 on the subject noted above and to enclose a copy of the Department of Expenditure O.M. No. 1/1/2008-IC dated 13.11.2009 for information and necessary action, for the subject mentioned CPSEs.

2. The conditions as indicated in Department of Expenditure O.M. dated 13.11.2009 and DPE's O.Ms. dated 14.10.2008 and 20.01.2009 would be strictly followed.

3. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs (Originally 69 CPSEs mentioned in DPE O.M. dated 12.06.1990) under their administrative control, who are following CDA pattern of scales, for their information and necessary action.

[DPE O.M. No.2(54)/08-DPE (WC)- GL-XVI/2010 Dated 9th September, 2010]

Grant of the revised pay structure of grade pay of Rs. 4600 in the pay PB-2 to posts that existed in the pre-revised scale of Rs. 6500-10500 as on 1.1.2006 and which were granted the normal replacement pay structure of grade pay of Rs. 4200 in the pay band PB-2.

Sixth Pay Commission recommended merger of the three pre-revised scales of Rs. 5000-8000, Rs. 5500-9000 and Rs. 6500-10500 and replaced them by the revised pay structure of grade pay of Rs. 4200 in the pay band PB-2. *Vide* para 2.2.21 (v) of its Report, the Commission recommended that on account of the merger of these 3 scales, some posts which constituted feeder and promotion grades would come to lie in an identical grade. The Commission gave specific recommendations in its Report granting higher grade pay of Rs. 4600 to some categories of these posts. As regards the other posts, the Commission recommended that it should first be seen in the posts in these 3 scales can be merged without any functional disturbance and if possible, the same should be done. Further, the Commission recommended that in case it is not possible to merge the posts in these pay scales on functional consideration, the posts in the scale of Rs. 6500-10500 being upgraded to the next higher grade in the pay band PB-2 with grade pay of Rs. 4600 corresponding to the pre-revised scale of Rs. 7450-11500. The post being upgraded from the scale of Rs. 6500-10500 should be merged with the post in the scale of Rs. 7450-11500.

2. The above recommendation of the Sixth Pay Commission were notified *vide* para (ii), Section 1 in Parts B and C of the First Schedule to the CCS (RP) Rules, 2008. While Part B of the First Schedule to the CCS (RP) Rules relates to revised pay scales for common categories of start, Part C notifies revised pay structure for certain posts in Ministries, Departments and Union Territories. The above provisions of the Rules specifically mentioned that upgradations in terms of para (ii) Section 1 may be done in consultation with Department of Expenditure, Ministry of Finance.

3. Consequent upon the Notification of CCS (RP) Rules, 2008, Department of Expenditure has received a large number of references from administrative ministries/departments proposing, upgradation of the posts which were in the pre-revised scale of Rs. 6500-10500 as on 1.1.2006 by granting them grade pay of Rs. 4600 in the pay band PB-2. The matter has been considered and it has not been decided that the posts which were granted the normal replacement pay structure of grade pay of Rs. 4200 in the pay band PB-2, will be granted grade pay of Rs. 4600 in the pay band PB-2 corresponding to the pre-revised scale of Rs. 7450-11500 *w.e.f.* 1.1.2006. Further, in terms of the aforementioned provisions of CCS (RP) Rules, in case a post already existed in the Pre-revised scale of Rs. 7450-11500, the posts being upgraded from the scale of Rs. 6500-10500 should be merged with the post in the scale of Rs. 7450-11500.

4. Accordingly, in terms of Rule 6 of CCS (RP) Rules, 2008, revised pay of Government servants in the pre-revised scale of Rs. 6500-10500 who were earlier granted grade pay of Rs. 4200 and who have already exercised their option for drawal of pay in the revised pay structure in the form prescribed in the Second Schedule to the Rules, will be fixed again in accordance with illustration 4A annexed to CCS (RP) Rules, 2008.

5. In case of all such Government servants in the pre-revised scale of Rs. 6500-10500 who were earlier granted grade pay of Rs. 4200 and who had opted to have their pay fixed under CCS (RP) Rules, 2008, action as prescribed in this Department O.M. of even number dated 30th August, 2008 will be taken. In case a Government servant desires to revise his earlier option for coming over to the revised pay structure, he may be permitted to do so without making any reference to this Department.

6. On account of pay fixation in the revised pay structure of grade pay of Rs. 4600 in the pay band PB-2, arrears of pay will be recalculated and difference of arrears in respect of the entire amount will be paid immediately. The manner of drawal of arrears has already been indicated in this Department's O.M. of even number dated 30.8.2008.

7. Hindi version will follow.

[DPE O.M. No.2(54)/08-DPE (WC)- GL-XVI/2010 Dated 9th September, 2010]

35. Clarifications based on recommendations of the Anomalies Committee; pay related issues (2007 pay revision) of Executives & Non-unionized Supervisors of CPSEs.

The undersigned is directed to refer to para '18' of DPE O.M. dated 26.11.2008, which, inter alia, provides for provision of Anomalies Committee to look into further specific issues/problems.

2. Ministry of Shipping had raised certain issues for clarification. These issues were placed before the aforesaid Anomalies Committee. In view of the recommendations of the Anomalies Committee, it has been decided as follows:—

I. Self Lease

- (a) Every CPSE must have a Rent Assessment Committee (RAC), which would assess the market rent for categories of executives and non-unionised supervisors, entitled for lease/self lease accommodation and also the maximum ceiling of reimbursement depending upon the company's capacity to pay. The RAC may include Members from Finance, HR, Civil Engineering, Law etc. as deemed appropriate.
- (b) The RAC will also decided on rent recovery, for which DPE guidelines as applicable to Board level Executives (10% of Basic Pay) will be kept in view.
- (c) For purposes of CTC, 30% of Basic Pay is required to be considered as expenditure on housing as per Para 8 of DPE O.M. dated 26.11.2008. This is not meant to be a ceiling and therefore, this should not be treated as the maximum limit for a leased accommodation.
- (d) The Board of Directors of CPSEs must ensure that self leased accommodation does not become an additional source of income to the employee. The precautions as indicated in DPE O.Ms dated 05.06.2003 and 20.05.2009 will also be kept in view.

II. Expenditure on Hospitals, Colleges, Schools, Clubs etc.

The percentage towards expenditure of Hospitals, Colleges, Schools, Clubs etc. should be as close to actual and should be assessed preferably every financial year.

III. Encashment of Leave

- (a) DPE O.M. dated 05.08.2005 provides for a maximum ceiling of Earned Leave that can be accumulated. CPSEs are not permitted to encash leave beyond 300 days at the time of retirement of an employee of CPSE. The employees are not permitted to accumulate more than 300 days as specified under DPE guidelines.
- (b) Casual Leave must not encashed at all and shall lapse at the end of the calendar year.

3. Administrative Ministries/Departments are required to issue suitable instructions to the CPSE under their administrative control for information and necessary action.

[DPE O.M. No.2(32)/10-DPE(WC)-GL-XXIII/2010 Dated 26th October, 2010]

36. Allowing vigilance functionaries on deputation to CPSEs the option to draw pay either in the scale of pay of the CPSE concerned or pay in the parent cadre plus deputation (duty) allowance thereon plus personal pay, if any - Cabinet decision-reg.

The undersigned is directed to refer to Department of Personnel & Training O.M. No. 372/21/2009-A VD-III dated 12.10.2010 on the above mentioned subject and to state that para "3' of aforesaid DoPT's O.M.

dated 12.10.2010 has modified (with the approval of Cabinet) the DPE O.M. (Annexure IV, Point No. IV refers) to the extent in allocated there in (DOPT OM dated 12.10.2010). dated 26.11.2008.

2. In this regard a reference is invited to DPE O.M. dated 08.06.2009, which is based on the recommendations of the Anomalies Committee. In view of the position explained in para "1" above, O.M. dated 08.06.2009 is also modified to the effect as indicated in para "1" above.

3. It is clarified that in view of DPE O.M. dated 26.11.2008 read with DoPT O.M. dated 12.10.2010, effective dated of above provisions in respect of CVOs and other officers on deputation to the vigilance Department of CPSEs would be 01.01.2007. However, provisions as contained in DPE O.Ms dated 26.11.2008 and 08.06.2009 will be relevant in respect of all Government Officers who come on deputation to CPSEs in posts other than CVOs and other officers on deputation to the Vigilance Department of CPSEs.

[DPE O.M. No. 2(27)/10-DPE(WC)-GL-XXIV/2010 Dated 3rd December, 2010]

37. Pay Revision of executives and Non-unionised supervisors of CPSEs w.e.f. 1.1.07

The undersigned is directed to refer to DPE's O.Ms dated 26.11.08, 09.02.09 and 02.04.09 on the subject mentioned above. Some Administrative Ministries/Departments, Ministry of Petroleum & Natural Gas in particular, had forwarded the request of their CPSEs, to DPE for keeping specific perks and allowances outside the 50% ceiling. Similarly, M/o Mines had sent a proposal received from NALCO regarding their demand to consider Non Practicing Allowance (NPA) as pay to be treated as pay for calculation of other benefits.

2. These issues were placed before the Anomalies Committees as prescribed under DPE O.M. dated 26.11.08. The Committee viewed that the pay package of employees of Central Government and CPSEs are not comparable. For CPSE executives in 2007 pay revision, concepts like keeping the perks and allowances upto 50% of Basic Pay along with 'Cafeteria Approach' keeping 04 allowance (to the extent of 62.5%) including NPA outside 50% limit, provisions of PRP upto 200% and superannuation benefits upto 30% of Basic Pay plus D.A. have been provided. The Committee also observed that neither the Chidambaram Committee favoured such changes nor was there any such provision in the 1997 pay revision. The Committee also felt that the sanctity of the Government decision on pay revision may not be disturbed by providing an exception.

3. Based on the recommendations of the Anomalies Committee, it has now been decided as follows:—

- (i) NPA will not be considered as pay for the purpose of calculating other benefits.
- (ii) No other allowance of perks will be kept outside the 50% ceiling except the 4 that have been provided in above referred DPE O.Ms.

[DPE O.M. No. 2(51)/2010-DPE(WC) GL-X/2011 Dated 1st June, 2011]

38. Procedure of pay fixation in some past cases of pay of Board Level Executives.

The undersigned is directed to inform this Department had earlier decided that for pay fixation purpose, the normal increment and also stagnation increment, whenever applicable, the fixed component of increment as per DPE approved scales (1997 scales) will be taken in all cases of pay fixation at Board level executives. This Department has received request/representation from different Ministries/Department etc. Ministry of PNG in particular requesting for re-fixation of pay of Board Level executives with benefit of percentage (where competent Authority provided the same in 1997 pay revision) as against the fixed component.

2. Anomalies Committee prescribed under DPE O.M. dated 26.11.2008, considered this issue. Based on the recommendations of the Anomalies Committee it has now been decided as follows:

- (i) Since the percentage based increment during the periodicity of 1997 pay revision was granted with the approval of the Competent Authority to specific CPSEs, it would not be proper to consider national increment and stagnation increment based on fixed elements.
- (ii) Stagnation increment can only be granted after reaching the maximum of scale of pay, once after two years and a maximum of three only.
- (iii) This mechanism would be applicable upto 31.12.2006.

[DPE O.M. No.2(51)/10-DPE(WC)-GL-XI/2011 Dated 3rd June, 2011]

39. Pay revision of CPSEs employees following CDA patter in 69 Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer to this Department O.Ms. of even No. dated 14.10.2008 and dated 20.01.2009 on the subject noted above and to enclose a copy of the Department of Personnel & Training O.M. No. 12011/04/2008-Estt. (Allowance) dated 11.09.2008 for information and necessary action, for the subject mentioned CPSEs.

2. The conditions as indicated in Department of Personnel & Training O.Ms. dated 11.09.2008 read with O.M. dated 02.09.2008 and DPE's O.Ms. dated 14.10.2008 and 20.01.2009 would be followed.

3. Further, the procedure and conditions as indicated in para '3' of DPE O.M. dated 20.10.2009 would be strictly ensured, while allowing these benefits/allowances.

4. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs (Originally 69 CPSEs mentioned in DPE O.M. dated 12.06.1990) under their administrative control, who are following CDA pattern of scales, for their information and necessary action.

Subject:-Recommendations of the Sixth Central Pay Commission—Implementations of decisions relating to Special Allowance for child care for women with disabilities and Education Allowance for disabled children of Govt. employees.

Consequent upon the decision taken by the Government on the recommendations made by the Sixth Central Pay Commission for providing extra benefits to women employees with disabilities especially when they have young children and children with disability, the President is pleased to issue the following instructions:—

- (i) Women with disabilities shall be paid Rs. 1000/- per month as Special Allowance for Child care. The allowance shall be payable from the time of the child's birth till the child is two years old.
- (ii) It shall be payable for a maximum of two children.
- (iii) Disability means a person having a minimum Disability of 40% as elaborated in Ministry of Welfare's Notification No. 16-18/97-NI. I dated 1.6.2001. (Annexure)
- (iv) The above limit would be automatically raised by 25% every time the Dearness Allowance on the revised pay structure goes up by 50%.

2. Reimbursement of Education Allowance for disabled children of Government employees shall be payable at double the normal rates prescribed. The annual ceiling fixed for reimbursement of Children

Education Allowance for disabled children of Government Employees is Rs. 24000. The rest of the conditions will be the same as stipulated *vide* OM No. 12011/03/2008-Estt. (Allowance) dated 2nd September, 2008 on the subject.

3. Disability means a person having a minimum disability of 40% as elaborated in Ministry of Welfare's Notification No. 16-18/97-NI. I dated 1.6.2001. (Annexure).
4. These orders shall be effective from 1st September, 2008.
5. Insofar, as persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller, and Audit General of India.
6. Hindi version will follow.

[DPE O.M. No.2(54)/08-DPE(WC)-GL-XII/2011 Dated 13th June, 2011]

40. Clarification on some issues regarding Performance mangement Sstem (PMS), Performance Related Payments (PRP) and Productivity Linked Incentive (PLI).

The undersigned is directed to invite attention to this Department's Workshop on Performance Management System held at Chandigarh on 30.05.2011, wherein some issues emerged for further examination. Accordingly, it has been decided to clarify as under:-

- (i) The 'Bell Curve Approach' as provided in point No. (iii) in Annex-III of DPE O.M. dated 26.11.2008 has to be followed strictly. It is to be ensured that 10% of the Executives and non-unionised supervisors in a CPSE have to be graded as 'below par' and not paid any PRP. Similarly, not more than 15% of the Executives and non-unionised Supervisors in a CPSE should be graded as 'outstanding'
 - (ii) 'Financial year' is to be adopted for PRP distribution instead of 'calendar year'.
 - (iii) For the purpose of 2007 or even 1997 pay revisions, Productivity linked incentives (PLI) may not be equated or confused with payment of the Variable Pay or Performance Related Payments (PRP). While the PRP is entirely dependant/based on the profits of a CPSE, the former i.e. PLI may not. Therefor, PLI cannot continue to be distributed in place of PRP and PLI, if any, can only be distributed within the 50% ceiling on perks & allowances of the Basic Pay of individual executives.
 - (iv) PMS is pre-requisite for distribution of PRP among others under 2007 pay revision O.Ms. In case of CPSE is not in a position to distribute any PRP because of some reasons, it can still have a robust and transparent PMS, which would enable the CPSEs to do better which may result in profit and distribution of PRP.
2. Administrative Ministries/Departments are requested to issue suitable instructions to the CPSEs under their administrative control for information and necessary action.

[DPE O.M. No.(21)/11-DPE(WC) GL-XIII/2011 Dated 6th July 2011]

41. Creation of Corpus for retired employees of CPSEs

The undersigned is directed to refer to O.M. of even number dated 8.07.2009 on the subject mentioned above providing Board of Directors of each CPSE to frame a suitable scheme keeping in view the guidelines contained in the aforesaid O.M. based on their need and affordability and submit proposal to the Administrative Ministry/Department for approval. Subsequent to issue of O.M. dated 08.07.2009, a number of representations have been received in this Department, requesting for notification in the Scheme. Government has accordingly reviewed the efficacy of the scheme as conveyed in O.M. of even numbr of dated 08.07.2009.

2. In view of the above, the following has been decided:-

- (i) Administrative Ministry/Department may consider creating a common corpus for the retired employees of the CPSEs, under their Administrative control. The purpose of the corpus would be to take care of medical and any other emergency needs of retired employees.
- (ii) Each CPSE under the Administrative Ministry/Department to contribute not more than 1.5% of its PBT for the above said corpus.
- (iii) A Committee, headed by an Independent Director, to be decided by Ministry/Department Aepartment may be formed by the respective administrative Ministry.Department for emplementation of said corpus.
- (iv) Scheme based on individual CPSE as conveyed in O.M. dated 08.07.2009 to continue but basic conditions like not more than 1.5% PBT (whether Ministry/Department based and/or individual CPSE based) and no budgetary support by Governemnt would apply to the Ministry/Department based scheme proposed now. Therefore, there may be a situation, where a CPSE under a Ministry/Department may have a separate scheme for its retired employees, but at same time contribute to common corpus for retired employees of other CPSE(s) under Administrative Ministry/Department, In such cases also the total contribution will not exceed 1.5% of PBT of a particular financial year. For individual CPSE based scheme, Constitution of Committee will be that as already indicated in para 5(iii) of O.M. dated 08.02.2009.
- (v) Purpose of the scheme (Individual or Comman corpus under a Ministry/Department for its CPSEs) to be as per from 2(i) above. The scheme may be implemented preferably through approved Insurance Companies. It is clarified that scheme should not become a defined benefit pensionary scheme.
- (vi) The benefits under the Scheme may vary from year to year depending upon the contribution by CPSE(s) in a poarticular year as the contribution is in turn dependent on the Profits, affordability and sustainability of the CPSE(s) concerned.
- (vii) The issue of 'emergency needs' may be decided based on the principles of fairness, transparency, funcional requirement, affordability sectoral similarities and sustainability of the common corpus, etc., with the prior approval of the aforesaid Committee.
- (viii) Such corpus will cover only those employees of CPSEs, who retired prior to 01.01.2007.

3. Administrative ministries/Departments may suitably issue instructions to the CPSEs under their administrative control for their information and necessary action.

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

[DPE O.M. No. 2(81)/08-DPE(WC)-GL-XV/2011 Dated 20th July, 2011]

42. Additional remuneration for handling additional charge and higher PRP for discharging additional responsibilities of a higher post.

The matter of additional remuneration for holding additional charge at Board level post in same or other CPSE and also the issue of entitlement of higher Performance Related Pay (PRP) for holding additional charge at Board level post in same or other CPSE had been referred to DPE in past. At each of these occasions it was decided after due consideration that it is not possible to grant additional remuneration or higher PRP for holding additional charge of a higher post at the Board level in same or other CPSE.

2. In order to avoid repeated queries on these issues, it is once again clarified that no additional remuneration would be paid for holding additional charge at Board level post in same or other CPSE. Similarly, no higher rate of PRP would be applicable to a board level executive for holding additional charge of another post of equal or higher level in the same or other CPSE.

3. This issues with the approval of Secretary (DPE).

Subject : Central Civil Services (Revised Pay) Rules, 2008—Date of next increment in the revised pay structure under Rule 10 of the CCS (RP) Rules, 2008.

In accordance with the provisions contained in Rule 10 of the CCS (RP) Rules, 2008, there will be a uniform date of annual lincrement, viz 1st July of every year. Employees completing 6 months and above in the revised pay structure as on 1st July will be eligible to be granted the increment. The first increment after fixation of pay on 1.1.2006 in the revised pay structure will be granted on 1.7.2006 for those employees for whom the date of next increment was between 1st July, 2006 to 1st January, 2007.

2. The Staff side has represented on this issue and has requested that those employees who were due to get their annual increment between February to June during 2006 may be granted one increment on 01.01.2006 in the pre-revised scale.

3. On further consideration and in exercise of the powers available under CCS(RP) Rules, 2008, the President is pleased to decide that in relaxation of stipulation under Rule 10 of these Rules, those central government employees who were due to get their annual increment between February to June during 2006 may be granted one increment on 1.1.2006 in the pre-revised pay scale as a one time measure and thereafter will get the next increment in the revised pay structure on 1.7.2006 as per Rule 10 of CCS (RP) Rules, 2008. The pay of the eligible employees may be re-fixed accordingly.

4. In so far as the persons serving in the Indian Audit and Account Department are concerned, these orders are issued in consultation with the Comptroller & Auditor General of India.

[DPE O.M. No. No. 10/02/2011-E.III/A Dt. 19th March, 2012]

[DPE O.M. No. J-72/05-DPE(WC) Dated 31st May, 2012]

43. Pay revision of CPSEs employees following CDA pattern in 69 Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer to this Department O.Ms. of even No. dated 14.10.2008, 20.01.2009 and 09.09.2010 on the subject noted above and to enclose a copy of the Department of Expenditure O.M. No. 10/02/2011-E-III/A dated 19.03.2012 for information and necessary action, for the subject mentioned CPSEs.

2. The conditions as indicated in Department of Expenditure O.M. dated 19.03.2012 and DPE's O.Ms. dated 14.10.2008, 20.01.2009 and 09.09.2010 would be strictly followed.

3. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs (Originally 69 CPSEs mentioned in DPE O.M. dated 12.06.1990) under

their administrative control, who are following CDA pattern of scales, for their information and necessary action.

[DPE O.M. No.(2(54)/08-DPE(WC)-GL IX/12 Dated 08th June, 2012]

44. Keeping certain allowances outside the 50% ceiling for Perks and Allowances.

The undersigned is directed to refer to O.M. No. 2(51)/2010-DPE(WC)GL-X/2011 dated 01.06.2011 regarding pay revision of executives and Non-unionized supervisors of CPSEs w.e.f 1.1.2007. Representations have been received from CPSEs/Administrative Ministries regarding keeping various allowances/benefits/perks including project allowance, higher conveyance allowance to persons with disabilities, etc. outside the 50% allowance.

2. The subject mentioned issue was placed before the Anomalies Committee and based on its recommendations, it is clarified that no allowance/benefit/perks other than those mentioned in DPE O.M. dated 26.11.2008 is admissible outside the 50% ceiling. The Anomalies Committee reiterated its view as conveyed vide O.M. dated 1.6.2011 that no other allowance/benefit/perks is outside the prescribed ceiling. All CPSEs under respective Ministries/Departments may be directed for strict compliance of the relevant provision of DPE O.Ms.

3. This issues with the approval of Secretary, DPE.

[DPE O.M. No. 2(20)/2012-DPE(WC) Dated 29th June, 2012]

45. 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 scale. 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 Annexe-IV (iv) referred to in para 12 of DPE O.M. dated 26.11.2008 (**Annex-III**), which related 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 scale (*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 scale 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 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 the same 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 scale 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 scale, 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 appoint 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 with 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, 01.06.2012 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.M.s issued from time to time. In case of any difficulty in fixation of pay of Board level executive 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	XIX
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-uninized 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 Term & 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).

Examples

1. Appointment from a Board level post to another Board level post (like appointment from Director's post to CMD) with in 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	Rs 75000-100000
Basic Pay in lower scale and per LPC	Rs 90000
Higher Post after appointment	CMD, Schedule 'A'
Higher scale of the appointed post	Rs 80000-125000
Pay fixation in the higher scale on selection as CMD	
Pay plus one national increment @ 3%	Rs 2700
Pay to be fixed in the higher scale on	Rs 92700 (90000+27—)
Promotion (Pay + one national increment	

2. Appointment from a Board level post to 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	Rs 75000-100000
Pay in lower scale	Rs 80000
Higher post after appointment	CMD in Schedule 'B' CPSE*
Scale of pay in schedule 'B' CPSE	Rs 75000-90000

Pay as CMD schedule 'B'	Rs. 80000
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- (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	Rs 75000-100000
Pay in lower post	Rs 80000/-
Higher Post after appointment	CMD in 1997 pay scale Schedule 'A' CPSE
Scale of pay of CMD in 1997 scale	Rs 27750-750-31500
Plus Da (%)	Rs 80000-DA=X
Maximum of the pay scale to which promoted	Rs 31500/-
Emoluments to be protected	Rs 31500+DA+PP*=X

<p>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.</p>	
<p>4. Appointment from a Board level post to a Board level post in a Different CPSE in different pay scales of Different pay revisions but in difference schedule. [Para 4 (A) (v) and (C) refer]</p>	
Lower Post prior to appointment	Director in 2007 pay scale, Schedule 'B'
Lower scale	Rs 65000-75000
Pay in lower post	Rs 70000/-
Higher Post after appointment	CMD in 1997 pay scale Schedule 'A' CPSE
Scale of pay of CMD in 1997 scale	Rs 27750-750-31500
Plus DA (%)	Rs 70000+DA=X
Miximum of the pay scale to which promoted	Rs 31500/-
Emoluments to be protected	Rs 31500+DA+PP*=X
<p>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.</p>	
<p>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]</p>	
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 appointment 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)
<p>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]</p>	
Lower Post prior to appointment	General Manager (E-8) (Sch-A)
Lower scale	₹ 51300—73000
Pay in the lower scale	₹ 69000
Higher Post after appointment	CMD in Schedule 'C' CPSE
Scale of pay schedule 'C' CPSE	₹ 65000—75000
National increment @ 3%	₹ 2070
Pay as CMD schedule 'C' (Pay+one notional increment)	₹ 71070 (69000+2070)
<p>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]</p>	

Lower Post	General Manager (E-8), (Schedule 'B')
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	₹ 225-600-27300
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 sale to which promoted	₹ 27300
Emoluments to be protected	₹ 27300+DA+PP*=X
<p>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.</p> <p>8. Appointment from a below Board level to a Board level post in different CPSE in different pay scales of different pay revisions and in different schedule. [Para 4 (B) (v) and (C) refer]</p>	
Lower Post prior to appointment	General Manager (E-8), (Schedule 'B') (2007)
Lower scale	₹ 51300—73000
Basic pay in the lower scale	₹ 60000
Higher Post after appointment	Director (Schedule A) (1997)
Higher scale of the appointed post	₹ 25750-650-30950
Pay in the higher scale on selection of Director	
No notional increment as it is dissimilar, only emoluments will be protected	
Pay+DA	₹ 60000+DA=X
Maximum of the sale to which promoted	₹ 30950
Emoluments to be protected	₹ 30950+DA+PP*=X
<p>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.</p> <p>9. Employees coming from Government, for example if a Joint Secretary is appointed as CMD of a schedule 'B' CPSE on permanent absorption. [Para 4 (C) refer]</p>	
Joint Secretary, GoI	₹ 37400—67000
Basic	₹ 67000
Grade Pay	₹ 10000
CMD, Schedule 'B' (2007 pay scale)	₹ 75000—90000
Pay fixation	₹ 67000+Grade Pay+DA=X

<p>₹ BP in CMD scale of pay+DA=X However, Basic pay would not exceed the maximum of the CPSE pay scale and any residual amount would be paid as PP, which would be absorbed in fixation of pay in higher scale/pay revision. 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.</p>	
10. Pay fixation on 2007 pay revision if increment date is 01.01.2007 [Para 5 (iii) refers]	
Basic Pay as on 31.12.2006	₹ 16800
Scale	₹ 16000-400-20800
Date of increment	01.01.2007
Effective date of pay revision	01.01.2007
Increment due on 01.01.2007 in pre-revised scale to be granted ₹ 400	
Pay fixation formula=Basic pay in pre-revised scale+one increment+DA (78.2%)+fitment (30%)	
Pay fixation ‘ 16800-400+DA (78.2%)+fitment (30%) ‘ 39850	
11. Increment can be an amount less than 3% of basic pay, and stagnation increment to be drawn once in two years after reaching maximum, and maximum three stagnation increments [Para 5 (iv) refers]	
Basic Pay as on 31.12.2008	₹ 57500
Scale	₹ 32900—58000
Date of next increment	1st January, 2009
Next increment	3% of ‘ 57500 or (‘ 58000-57500) which is less=‘ 500
Pay after granting increment	₹ 58000 (Maximum of scale)
Next increment	3% of ‘ 58000
Next increment date	01.01.2011 (as stagnation increment)
12. Pay fixation if the amount arrived at after providing a notional increment is more than the maximum of the scale. [Para 5 (vi) refers]	
Lower Post prior to appointment	E-8
Lower scale	₹ 51300—73000
Higher Post after appointment	Director in schedule ‘B’
Higher scale of the appointment post	₹ 65000—75000
Pay in the lower post	₹ 75190 (after grant of one stagnation increment)
Plus one notional increment @ 3%	₹ 75190+3%=77450 (rounded off)
Pay to be fixed	₹ 75000 i.e. maximum of the scale
13. In the scale of pay Rs. 12600-32500 (EO grade-2007 pay scales) there are no stages like Rs. .12980, 13370 etc. Therefore, while fixing the pay in the 2007 pay scales, the aggregate amount calculated as per Para	

2(i) of O.M. dated 26.11.2008 would be rounded off to the next ten rupees and pay fixed in the corresponding revised pay scale. [Para 5 (viii) refers]

14. Benefit of bunching of increments on 2007 pay revision on pay fixation for revised 1997 scale to 2007 pay scale. The benefit of bunching, as per DPE O.M. dated 26.11.2008 read with O.M. dated 24.09.2010, will be admissible only if two executives in the same grade in same CPSE were at different stages in the 1997 pay scales as on 01.01.2007 and on pay fixation in the 2007 pay scales get fixed at the same stage (minimum of scale). In such a case for every two stage difference in 1997 scale, the senior would get one bunching increment [Para 5 (ix) and Annex XIV refer] as under:—

Pay scale of Director in schedule 'A' CPSE in 1997 pay scale	₹ 25750-650-30950
Pay scale of Director in schedule 'A' CPSE in 2007 pay scale	₹ 75000-100000
Basic pay of Director 'X' in 1997 pay scale as on 01.01.2007 in CPSE Z	₹ 30300
Basic pay of Director 'Y' in 1997 pay scale as on 01.01.2007 in same CPSE i.e. Z	₹ 26400
Basic pay of Director 'X' in 2007 pay scale after pay revision as on 01.01.2007	₹ 75000
Basic pay of Director 'Y' in 2007 pay scale after pay revision as on 01.01.2007	₹ 75000
Benefit of bunching to Director 'X' who is senior to 'Y'	
No. of increments drawn more than the junior in 1997 scale	6: (30300-26400/650)
No. of bunching increment provided in 2007 scale to Director 'X'	3 @ '75000 minimum of the revised scale (@ 75000x3%=2250x3)
Pay of Director 'X' to be fixed in 2007 pay scales after providing benefit of bunching to Director 'X'	₹ 81750 - (₹ 75000+6750)

15. No benefit of bunching of increments in case of CMD/MD of a CPSE from 1997 to 2007 but stepping up in specified cases: CMD/MD is a stand-alone post in a CPSE, therefore, no comparison for the purpose of benefit of bunching of increments can be made in that CPSE. However, there may be some rare cases of stepping up of pay of CMD/MD in a CPSE. To illustrate, if the Director 'X' of 'Z' CPSE who was junior to a CMD/MD of 'Z' CPSE, and Director 'X' was drawing a lower basic pay in 1997 pay scale (as on 01.01.2007) draws higher basic pay than his CMD/MD on 2007 pay revision as on 01.01.2007, (because of the reasons of getting the benefit of bunching), the pay of a CMD/MD of a 'Z' CPSE may be stepped up [para 5 (ix) and Annex XVI refer] to the level of that Director 'X' as on 01.01.2007 as under:-

Pay scale of Director 'X' in 'Z' CPSE in 1997 pay scale in schedule 'A' CPSE	₹ 25750-650-30950
Pay scale of CMD in 'Z' CPSE in 1997 pay	

Scale of schedule 'A' CPSE	₹ 27750-750-31500
Basic pay of Director 'X' in 1997 pay scale as on 01.01.2007	₹ 30300
Basic pay of CMD in 1997 scale as on 01.01.2007	₹ 31500
Pay of Director in 2007 pay scale fixed after allowed the benefit to bunching (as on 01.01.2007) {also see example 14 above}	₹ 81750
Pay of CMD in 2007 pay scale as on 01.01.2007 in normal case	₹ 80000
Pay of CMD with stepped up revised pay in view of Director 'X' of 'Z' CPSE, as on 01.01.2007 Rs. 81750	

[DPE O.M. No. 2(34)/2012-DPE(WC) Dated 14th December, 2012]

46. Revision of Wage/Pay based on profitability of Central Public Sector Enterprise (CPSE) as a whole and not based on unit-wise performance.

The undersigned is directed refer to this Department's Office Memorandum dated 26.11.2008, 09.02.2009 and 02.04.2009 (Executives pay revision) and 09.11.2006 and 01.05.2008 (Workmen Wage Revision) on the subject and to clarify that for the purpose of wage/pay revision, a CPSE is treated as a single entity and consequently, pay/wage revision has to be based on the performance/profitability of the company as a whole and not separately for each unit. It means that different units within the same CPSE cannot have different pay/wage structures.

[DPE O.M. No. 2(10)/2013-DPE(WC)-GL-XIII/13 Dated 30th April, 2013]

47. Policy for the 7th Round (2nd part) of Wage Negotiations for unionized workers in Central Public Sector Enterprises w.e.f. 01.01.2012.

The undersigned is directed to convey the decision of the Government that the next round of wage negotiations (which falls due on a general basis from 01.01.2012) with the workers of Central Public Sector Enterprises (CPSE) may be undertaken by the Management of the Enterprises with the Trade Unions/Associations.

2. The wage negotiation and finalization will be subject to the following conditions:-

- (i) Management of the CPSEs would be free to negotiate the wage revision of workmen where the periodicity of wage settlement of five years has expired generally on 31.12.2011, keeping in view the affordability and financial sustainability of any such wage revision of the CPSEs concerned.
- (ii) No budgetary support for any wage increase shall be provided by the Government. The entire burden would be borne by the respective CPSEs from their internal resources.

- (iii) To avoid conflict of pay scales of executives/non-unionized supervisors with that of their workmen, CPSEs may consider adoption of graded DA neutralization and/or graded fitment during the wage negotiations.
 - (iv) The management of the CPSEs concerned have to ensure that negotiated scales of pay would not come in conflict with the existing scales of pay of executives/officers and non-unionized supervisors of respective CPSEs.
 - (v) CPSEs must ensure that any increase in wages after negotiations does not result in increase in administered prices of their goods and services.
 - (vi) The wage revision shall be subject to the condition that there shall be no increase in labour cost per physical unit of output. In exceptional cases where CPSEs are already working at optimum capacity considering industry norms, the administrative Ministry/Department concerned may consult DPE.
 - (vii) As regards sick CPSEs registered with BIFR/BRPSE, no revision of wage would be allowed to the workmen of such CPSEs until the provision for additional expenditure on account of such wage revision is approved by BIFR/BRPSE in the revival plan of such CPSEs.
 - (viii) The validity period of wage settlement would be for a minimum period of five years w.e.f. 01.01.2012. The workmen of only those CPSEs who have opted for five year periodicity of wage negotiations w.e.f. 01.01.2007 may go for another wage negotiation of a minimum five year periodicity (generally from 01.01.2012).
 - (ix) The CPSEs would implement the negotiated wages after confirming to their administrative Ministry/Department that the wage settlement is in conformity with the approved parameters.
3. In the light of the above decision of the Government, all the administrative Ministries/Departments are requested to issue suitable instructions to the CPSEs under their administrative control under intimation to this Department.

[DPE O.M. No. 2(110)/11-DPE(WC)-GL-XVI/13 Dated 13th June, 2013]

48. Deduction of Interest on idle cash/bank balances for the purpose of calculating Profit Before Tax (PBT) and distribution of Performance Related Pay (PRP) in Central Public Sector Enterprises (CPSEs).

The undersigned is directed to refer to this Department OM No. 2 (70)/08-DPE (WC) dated 26.11.2008 on the subject noted above.

2. DPE guidelines of 2007 pay revision of executives and non-unionized supervisors of CPSEs inter-alia provide for payment of PRP subject to a ceiling of 5% of Profit Before Tax (PBT) of a CPSEs. In response to queries from CPSEs/administrative Ministries /Departments in this regard, it has been clarified that interest on idle cash/bank balances may be deducted from PBT and PRP may be distributed based on profit accruing only from core business activities of the CPSEs. This position is once again reiterated to remove any doubts in this matter.

[DPE O.M. No.2(8)/12-DPE(WC)-GL-XX/13 Dated 18th September, 2013]

49. Clarifications regarding Introduction of Pension Scheme and Post Superannuation Medical Benefits in CPSEs

The undersigned is directed to refer to this Department OM No. 2(70)/08-DPE (WC) dated 26.11.2008 and 2(70)/08-DPE (WC) dated 2.4.2009 regarding pay revision of executives and non-unionized supervisors of CPSEs w.e.f. 1.1.2007 which inter-alia provides guidelines regarding Superannuation benefits including Pension and Post Superannuation Medical Benefit Scheme of the CPSEs. DPE has been receiving certain queries in this regard. The following clarifications may be kept in mind while finalizing the Pension and Post Superannuation Medical Benefit Scheme of the CPSEs:-

- i) The condition of 30% of Basic Pay + DA for superannuation benefits as prescribed in DPE O.Ms. dated 26.11.2008 and 02.04.2009 and as amended from time to time, are to be followed strictly.
- ii) These schemes (pension and post-superannuation medical benefits) would be subject to the factors like affordability, capacity to pay and sustainability of the CPSE.
- iii) Government budgetary support would not be provided to operate these Schemes.
- iv) It is to be ensured that by implementing the 2007 pay revision, which would include these two schemes, the dip in Profit Before Tax (PBT) for the year 2007-08 should not exceed 20% in respect of executives & non-unionized supervisors of CPSE.
- v) Since the effective date of 2007 pay revision in CPSE is 01.01.2007, the proposed scheme(s) may be introduced w.e.f. 01.01.2007 or a subsequent date for the regular employees who were on the rolls of CPSE as on that date and for the employees recruited thereafter. If a regular employee does not want to contribute to the proposed scheme, he/she should have an option.
- vi) Contribution of CPSE to these schemes is limited to such extent that the contribution to the total superannuation benefits which include PF and Gratuity also is limited to 30% of Basic pay plus DA. This may be reviewed every year based on the profitability/affordability of the CPSE. Contribution every year by CPSE should not be guaranteed for these two schemes.
- vii) An employee should have put in a minimum of 15 years service rendered in continuity in CPSE(s) at the time of superannuation, and benefits would be allowed by a CPSE from where the incumbent has superannuated.
- viii) The services rendered in the Government prior to joining CPSE would not count for the purpose of computation of total service in a CPSE required for availing the benefits of this scheme.
- ix) As regards Board level executives, who are contractual appointees, they too can enjoy the benefits under these schemes provided their total period of service rendered in continuity in CPSE(s) including the period at Board level in a CPSE is not less than 15 years, at the time of superannuation.
- x) In the event of any employee resigning from the services of CPSE and joining another CPSE having broadly similar schemes, the entire amount of employer's and employee's contribution along with interest accrued thereon can be transferred to such CPSE. However, employees who resign from CPSE to join another CPSE, not having similar schemes, or any organization not being a CPSE (irrespective of whether such scheme exists in that organization), shall not be allowed the benefit of transferring their accumulated fund under these schemes. However, the employee's contribution along with accrued interests shall be refundable to the employee.
- xi) Benefits of the schemes should not be extended to employees posted on deputation to CPSE from Central/State Government.

- xii) In case a regular member of the scheme dies/becomes permanently disabled & incapacitated, leading to cessation of his/her service, before putting in 15 years of service in a CPSE prior to superannuation, he/she may be given the benefits as admissible under these schemes.
- xiii) Cases of VRS/VSS for which specific scheme have been framed would be examined in terms of such specific schemes of VRS/VSS of the Government applicable in respect of employees of CPSEs. Benefits under these schemes would not accrue to VRS/VSS optees automatically.
- xiv) At the time of superannuation, an employee may opt for Annuities from any of the designated Annuity Saving Service Providers to provide the pension and/or post retiral medical benefits.
- xv) The admissibility of benefits under these schemes to the employees against whom disciplinary proceedings are pending at the time of superannuation is to be regulated as per the Conduct, Discipline & Appeal Rules of the CPSE.
- xvi) In cases of resignation (excluding resignation covered under 'technical formality clause') and compulsory retirement, removal, dismissal because of disciplinary proceedings, the annuity would be based only on member's contributions, if any, and interest thereon.
- xvii) DPE O.Ms. dated 08.07.2009 and 20.07.2011 relate to the creation of a Corpus for the CPSE employees who retired before 01.01.2007. There is, thus, no link between pension and post-superannuation medical benefit schemes and the corpus mentioned in O.Ms. dated 08.07.2009 and 20.07.2011.
- xviii) These schemes will be under a "defined contribution scheme" and not under a "defined benefit scheme". Subject to the contribution made by the CPSE within the prescribed ceiling, and based on affordability, the benefit to the individual executive would be determined based on the accumulated amount.
- xix) There should be no provision of 'commutation', since provision of pension in 2007 pay revision guidelines was introduced so that employees have a social security and would get a substantial monthly pension after superannuation.

W-02/0017/2014-DPE-(WC)-GL-XI/14 Dated 21st May, 2014

50. Deduction of interest on idle cash/bank balances for the purpose of calculating Profit Before Tax (PBT) and distribution of Performance Related Pay (PRP) in Central Public Sector Enterprises (CPSE).

The undersigned is directed to refer to this Department OM No. 2 (70)/08-DPE (WC) dated 26.11.2008 and OM No. 2(8)/12-DPE (WC)-GL-XX/13 dated 18.9.2013 on the subject noted above.

2. DPE guidelines of 2007 pay revision of executives and non-unionized supervisors of CPSEs inter-alia provide for payment of PRP subject to a ceiling of 5% of Profit Before Tax (PBT) of a CPSE. In response to queries from CPSEs/administrative Ministries/Departments in this regard, it was clarified vide DPE OM dated 18.9.2013 that interest on idle cash/bank balances may be deducted from PBT and PRP to be distributed based on profit accruing only from core business activities of the CPSE. Thus the PRP payable to the executives and non-unionized supervisors of CPSEs based on the profits of financial year 2012-13 onwards would be calculated as per DPE OM dated 18.9.2013.

3. This issues with the approval of Secretary, DPE.

No-0208/12/DPE-(WC)-GL-XV/14 Dated 02nd September, 2014

(b) Dearness Allowance/Interim Relief

1. Prior approval of the Government [BPE] before release of DA installments

During the early '70's Government had approved certain scales of pay for the Public Enterprises which were similar to those obtaining in the Central Government Departments. These companies had also been informed that DA in respect of their staff and executives would be regulated in accordance with the Central DA formula. Since 1978/79, when DA was made admissible to the senior officers in the Government drawing pay in excess of Rs. 2400/-, BPE has been apprising the Public Enterprises as to the extent to which DA and ADA could be paid by them in respect of their executives and other staff. In March, 1982 one-time ad-hoc DA was sanctioned to the Central Government employees vide Department of Expenditure's O.M. dated 26.3.1982. The said Department had also informed the BPE that the question as to the admissibility or otherwise of the orders contained in their O.M. dated 26.3.82 to the executives of the Public Enterprises is to be decided by the BPE. It was ultimately decided that one-time ad-hoc DA would not be admissible to the executives working in enterprises following the Central DA pattern. This decision was formally communicated to the administrative Ministries and the Public Enterprises vide BPE's O.M. dated 11.8.82 & 1.10.82. These have since been reiterated in our O.Ms dated 2.5.83 & 10.10.83.

2. It is noted that despite clear instructions about the non-admissibility of one-time ad-hoc DA, referred to above, the Public Enterprises have made payment to their executives without awaiting formal instructions on the subject. On inquiry, it has been revealed by these enterprises that they have acted in good faith on the advice given by the administrative Ministries which had earlier forwarded copies of the Department of Expenditure O.M. dated 26.3.1982 for information, guidance and necessary action. From a perusal of copies of the communications made available to the Bureau, it is noted that the orders of the Department of Expenditure are being circulated by the various administrative Ministries under the signature of a Section Officer in a very routine manner. As a result, many enterprises had paid the one-time ad-hoc DA which is clearly irregular and is to be recovered.

3. In order to avoid situations of the type referred to above, it will be appreciated if suitable instructions could be issued to the various sections under your administrative Ministry that they should await issue of formal instructions by the Bureau as to the extent of admissibility or otherwise of the DA and ADA to the employees of Public Enterprises following the Central DA pattern. The copies of the Department of Expenditure's O.M. issued by them on the subject should not, therefore, be circulated to the Public Enterprises even though they may be following the Central DA pattern.

(BPE D.O. NO. 7(4)/80-BPE(WC) Dated 4th March, 1984)

2. Payment of Interim Relief to the employees of the Public Enterprises who are still following Central D.A. Pattern

The undersigned is directed to state that the writ petitions filed by the officers Association and Employees Unions of the Public Sector Enterprises which are still following CDA pattern and have not yet agreed to change over to Industrial DA pattern and related scales of pay, came up for hearing in the Supreme Court on 19.2.1986. The Hon'ble Supreme Court have given the following directions.

"We accordingly direct that all employees of the aforesaid public sector undertakings drawing a basic pay of Rs.1000 or less will be entitled to interim relief on the same basis and scale as the other Government of India employees w.e.f. January 1, 1986 on an undertaking given by each of the employees that in case they fail in the claim made by them, they will refund the excess amount drawn by them to their employers. The arrears of interim relief w.e.f. January 1, 1986 shall be paid to these employees within one month from today."

This order will govern all employee of the public sector undertakings of the Government of India throughout the country following the Central pattern of pay scales and dearness allowance and drawing a basic pay of Rs.1000 or less."

2. Ministry of Industry, Ministry of Petroleum and Natural Gas, Ministry of Agriculture, etc. are requested to advise the public enterprises under their administrative control to implement the order of the Supreme Court well before 18.3.1986.

(DPE O.M. No.2 (10)/83-BPE(WC) dated March 7, 1986)

3. Recommendations made by the High Power Pay Committee on payment of interim relief to employees working in Public Enterprises following Central DA pattern

The High Power Pay Committee constituted under the Department of Public Enterprises Resolution No.2(10)/83-BPE(WC) dated the 27th November, 1986 as per the directions of the Supreme Court of India to go into the various aspects relating to the pay scales and other incidental matters such as additional D.A., Interim Relief and other allowances relating to the employees working in Public Sector Undertakings governed by the Central Government Pay Scales and D.A., have now submitted their further interim recommendations for payment of 2nd instalment of Interim Relief and enhancement of ceilings for payment of HRA and CCA. These recommendations have been accepted by the Govt. and the following decisions have been taken.

- (i) The public enterprises following 3rd CPC DA formula can release another instalment of IR at the rate of 10% of the basic pay only subject to a minimum of Rs. 50/- to their employees who have not yet opted for revised scales of pay and Industrial DA pattern. This IR is payable w.e.f. 1.12.1987. The IR will not count for any purpose.
- (ii) These enterprises would continue to pay HRA to their employees at the existing percentage rates relating to the basic pay of the concerned employee. If an employee who claims HRA is not in a position to produce rent receipt or stays in his own house or a house owned by his/her spouse, whose rental value as assessed by the Municipal Authorities is either small or negligible, can be paid HRA at the percentage rates applicable to him related to his basic pay but such payments would be restricted to Rs.1000/- per month in A, B1 and B2 class cities and Rs.500/- per month in C Class cities and Rs.300/- per month in unclassified areas.
- (iii) These public enterprises would also continue to pay City Compensatory Allowance to their employees at the existing percentage rates, which are in force at present. This will continue to be related to the basic pay of the concerned employee. However, the Existing ceilings on payment of CCA would be Rs.100/- as against Rs.75/- in A Class cities, Rs.75/- as against Rs.50/- in B1 class cities and Rs.20/- as against Rs.10/- in B2 class cities.
- (iv) The enhanced ceilings for payment of HRA without the production of rent receipt as well as for payment of CCA are effective from 1.4.1987.

2. Ministry of Petroleum and Natural Gas and Ministry of Agriculture, etc. are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for their information and immediate necessary action.

(BPE O.M. No. 2(5)/87-BPE(WC) dated 5th April, 1988)

4. New DA Formula-Applicability to unionised staff/workers in PSUs.

The undersigned is directed to refer to the DPE's OM of even number dated 19.7.1995 wherein the new DA formula and rates of IDA payable to the employees of PSEs from 1.4.92 to 1.4.95 on different pay ranges had been indicated (Annexure-III of below Board level OM refers).

2. The new DA formula as indicated in Annexure-III of below Board level OM would also be applicable to unionised staff/workers of PSEs where the agreements for revision of wages have already been concluded by the management on the basis of the guidelines issued by DPE vide OM's dated 12.4.93 and 17.1.94 on the same conditions. It has further been clarified that wherever the quarterly index average on 1.1.92 is not 1099, the DA would be calculated @ Rs.2/- per point shift in AICPI upto 1099 and above quarterly index average of 1099, DA would be calculated as per the new DA scheme.

3. All the administrative Ministries/Department of Government of India are requested to bring the foregoing to the notice of Public Sector Enterprises under their administrative control for their necessary action.

(DPE O.M. No. 2 (50)/86-DPE (WC) dated 26th July, 1995)

5. Treatment of Personal Pay for fixation of pay and DA

The undersigned is directed to refer to Deptt. Of Public Enterprises two OM's of even number dated 19th July 1995 regarding revision of scales of pay of the executives holding Board Level and below Board Level posts and non-unionised supervisors w.e.f.1.1.1992. These O.M.s are also indicated the method of fixation of pay in the revised scale.

2. Some clarifications have been sought by some of the PSUs as to whether the 'personal pay', granted to some of the executives while fixing their pay in the revised scales, shall be counted for purpose of computation of DA and other allowances. It has now been decided by the Government that 'personal pay' granted after fixation of pay at three stages below the maximum of the scale as per Annexure shall also be counted as 'pay' for the purpose of computation of dearness allowance on percentage basis of neutralisation.

3. The 'personal pay' shall also be counted for purpose of recovery of license fee in case of executives living in company's leased accommodation.

4. The above decision may please be brought to the notice of enterprises under the control of the administrative Ministries.

ANNEXURE

1.	Existing Scale of Pay	Rs.6500-175-7725
2.	Proposed Scale of Pay	Rs.8500-300-10300
3.	Existing Basic Pay	Rs.7725.00
4.	IDA as on 1.1.1992 related to AICPI 1099	Rs.787.75
5.	Fitment @ 20% of Basic Pay	Rs.1545.00
		Rs.10057.75
7.	Pay to be fixed under normal rules	Rs.10,300.00

Since he does not get 3 increments in the revised scale even from 1.1.1992, his pay is to be fixed 3 stages below the maximum.

8.	Maximum of the revised scale	Rs.10300/-
	Less amount equivalent to 3 increments below the maximum	Rs.900/-
9.	Pay would be fixed at	Rs.9,400/-
10.	Total emoluments admissible as on 1.1.1992	Rs.10,057.75
11.	Less basic pay fixed as per "9" above	Rs.9,400.00
12.	Personal pay granted at the time of fixation of pay as on 1.1.1992	Rs.657.75

(DPE O.M. No. 2(50)/86-DPE(WC) dated 6th February, 1996)

6. Grant of Interim Relief to the employees of the Central PSEs following IDA pattern.

The Pay Revision Committee set up by the Government to make recommendation for pay revision for the executives of Central public sector enterprises following IDA pattern have recommended payment of 10% of existing basic pay as adjustable interim relief (IR) from 1.1.97. The Government have considered these recommendations of the Committee, and have decided to allow the payment of IR to the PSU employees to the extent of 10% of the basic pay subject to the minimum of Rs.280/- p.m. subject to the following:

- a) These instructions are applicable to the employees of the Central PSEs following the IDA pattern.
- b) The amounts paid as interim relief would be fully adjusted and subsumed in the final pay revision package.
- c) No budgetary support would be provided to the PSUs for meeting the liabilities of this interim relief payment.
- d) The interim relief may be allowed w.e.f. 1.1.97.
- e) The management of the PSUs would have the liberty to decide on the grant of interim relief to the officers & workers to the extent of 10% of basic pay (subject to a minimum of Rs.280/- p.m.) taking into consideration the financial position of the enterprise and other implications of allowing such interim relief.
- f) No interim relief should be granted to the employees of sick enterprises referred to BIFR and other loss making enterprises which have not so far revised their pay scales from 1.1.92.
- g) The amount of interim relief will be sui-generis viz. it will neither be termed as 'pay' nor 'allowance' nor 'wages'. Accordingly, this amount would not count for any service benefit i.e. computation of house rent allowance, compensatory allowance, over-time allowance, cash compensation, encashment of leave, pay fixation, pension or gratuity, etc.

Administrative Ministries/Departments are requested to bring the foregoing to the notice of the public enterprises under their administrative control for immediate necessary action.

(DPE O.M. No. 2/44/97-DPE(WC) dated 19th August, 1998)

7. Merger of 50% of Dearness Allowance with basic pay to the employees of Central Public Sector Enterprises (CPSEs) following 1997 Industrial Dearness Allowances (IDA) pattern scales of pay.

Consequent upon the recommendation of the 2nd Pay Revision Committee based on large number of the representations on merger of 50% DA with the basic pay from Executives / CEOs of CPSEs both individually and collectively in writing, the Government have now decided as follows:

- i) Portion of IDA equal to 50% of the existing basic pay in respect of employees in CPSEs following IDA pattern of pay scales at 1997 levels for employees of CPSEs may be merged w.e.f. 1.1.2007 with the basic pay of the employees and shown distinctly as Dearness Pay (DP), which would be counted for purposes like payment of allowances, transfer grant, retirement benefits, contribution to Contributory Provident Fund, Licence Fee, various advances etc.
- ii) The merger of IDA equal to 50% of the existing basic pay as mentioned at sub-para (i) above may be allowed to employees of CPSEs following IDA pattern of pay scales at 1997 level that are not loss making and are in a position to absorb the additional expenditure on account of merger of 50% of IDA with basic pay from their own resources without any budgetary support from the Government. The budgetary support would not be available for this purpose.
- iii) Similar benefits of merger of IDA equal to 50% of the existing basic pay as at sub-para (i) above may also be extended to the employees in the IDA pattern pay scales in the Food Corporation of India.
- iv) The entitlements for LTC, TA/DA while on tour and transfer would, however, continue to be governed on the basic pay alone without taking Dearness Pay into account.
- v) Portion of Dearness Allowance converted into Dearness Pay would be deducted from the existing rate of Dearness Allowance while computing quantum of Dearness Allowance.
- vi) The Board of Directors of each CPSE would consider the proposal for 50% merger of DA with Basic Pay for executives and workmen keeping in mind the capacity of the company to pay and submit a proposal to the Administrative Ministry which will approve the proposal with the concurrence of its Financial Advisor.

2. All the administrative Ministries/ Department of the Government of India are requested to bring to foregoing to the notice of Central Public Sector Enterprises (CPSEs) under their administrative control for their information and necessary action.

(DPE OM No. 2(7)/2005 DPE- (WC) GL-III dated 26th February, 2008)

(c) Allowances & Perquisites

1. **High Power Pay Committee—Implementation of its recommendations—payment of House Rent Allowance to the employees posted at Shillong (Meghalaya).**

The undersigned is directed to refer to the Department of Public Enterprises OM of even number dated 12.6.90, on the above subject. In paragraph 9.1.2 thereof, the rates at which HRA could be paid by the PSEs following CDA pattern had been indicated. The HPPC in paragraph 11.15 of their Report had, inter-alia, recommended that DPE may review the orders contained in their OM No. 1(3)/83-BPE(WC) dated 1.7.83 taking into account the proposed revised scales of pay of CDA employees and the future pay scales of IDA employees after revision due in 1987 completed. In pursuance of these recommendations, the matter was reviewed in the Govt. and appropriate orders were issued by the DPE vide its OM No. 2(8)/91-DPE(WC) dated 3.3.92, wherein parameters for regulating payment of HRA to the employees of Central PSEs, both under the CDA pattern as well as under the IDA pattern, had been spelt out. In accordance with these orders, employees of the PSEs posted at Shillong are entitled to payment of HRA at the rate of 10% of basic pay as Shillong has been classified as 'C' class city.

2. Representations have, however, been received from the Administrative Ministries as well as some of the Central PSEs whose offices are located at Shillong, where it has been pointed out that even in respect of Central Govt. employees posted at Shillong, HRA is being paid to the Government servants at the rates applicable to 'A', 'B1' and 'B2' class cities and they, therefore, requested that the employees of the PSEs should also be entitled for payment of HRA at rates not less than the amount admissible to Government servants who are posted at Shillong.

3. The matter has been carefully examined in this Department. In this context, it is relevant to note that in the PSEs, HRA is paid at a specific percentage of the basic pay admissible with reference to the classification of the cities. However, due to the special treatment having already been given to Shillong by the Govt. and the hardship faced by the PSEs employees, it has been decided that the Central PSEs, both following CDA pattern as well as IDA pattern, could regulate payment of HRA to their employees posted at Shillong (Meghalaya), as per details given in the following table:—

Employees who were on CDA pattern as on 1.1.86 and upto 31.12.1988 and continue to draw salary on CDA pattern as personal to them under Supreme Court orders dated 3.5.1990

Employees who are on IDA pattern, including the employees who have been appointed, promoted or absorbed on or after 1.1.89 even in PSEs which followed CDA pattern

		Rupees per month	
Basic pay range	HRA	Basic pay range	HRA
Rs. 750 - 949	150	Upto Rs.1350/-	150
Rs.950 - 1499	250	Rs.1351 & above but below Rs.2000/-	250
Rs.1500 - 2799	450	Rs.2000 & above but below Rs. 3500/-	450
Rs.2800 - 3599	600	Rs.3500 & above but below Rs. 4500/-	600
Rs. 3600 - 4499	800	Rs. 4500 & above but below Rs.6000/-	800
Rs. 4500 & above	1000	Rs. 6000 & above	1000

4.1 The effective date for payment of HRA at the above noted rates for the employees posted at Shillong and who were granted CDA pattern as personal to them under Supreme Court orders dated 3.5.90 would be 1.12.1988. This would be in partial modification of the instructions contained in sub-paragraph (ii) of paragraph 9.1.2 on payment of HRA contained in the DPE's OM of even number dated 12.6.1990. For the period between 1.1.1986 and 30.11.1988, HRA was to be regulated by the PSEs to these employees as per the instructions contained in sub-paragraph (ii) of paragraph 9.1.2 of the DPEs OM dated 12.6.1990.

4.2 In respect of the employees and executives whose scales of pay have been revised by the Government under the 4th round of the wage negotiations and the DPE's orders dated 4.4.90 and who have been or are on IDA pattern and are posted at Shillong, Public Sector Enterprises could regulate HRA as per the rates indicated in column (ii) of the above table. The effective date in their case would be 1.1.1987. These orders supersede the instructions contained in sub-paragraph (i) of paragraph 4 of the DPE's OM No. 2(8)/91-DPE (WC) dated 3.3.1992.

5. All Administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for their information and necessary action.

(DPE O.M. NO. 2(43)/90-DPE(WC) dated 2nd January, 1995)

2. Payment of HRA to the employees of Central PSEs.

It has been brought to the notice of this Deptt, that some of the PSEs are not following the rules/instructions issued by the Government regarding the payment of HRA to their employees. In this connection the attention of all concerned is invited to DPE's OM No.2(8)/91-DPE(WC) dated 3.3.1992 and OM No.2(50)/86-DPE(WC) dated 19th July, 1995 vide which it was clarified to the PSUs the rates of HRA that could be paid to their employees i.e. workers and executives depending on the station of posting. These rates are again being indicated below for ready reference.

Delhi, Bombay (now Mumbai): 30% of basic pay

Other 'A' Class Cities: 25% of basic pay

B1, B2 class Cities: 15% of basic pay

'C' Class & other unclassified cities: 10% of basic pay

2. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for their information and compliance.

(DPE O.M. No. M-13/93-DPE(WC) dated 1st October, 1996)

3. Pay revision of the Central Public Sector employees following CDA pattern in 69 PSEs— Classification of Calcutta and Chennai cities 'A-I' Class for the purpose of grant of HRA and grant of Leased Accommodation regarding.

The Department of Public Enterprises vide its OM of even number dated 24th October, 1997 and 4th March, 1998 had communicated the decision of the Govt. on pay revision of the public sector employees following CDA pattern along with Dearness Allowance, City Compensatory Allowance, Transport Allowance,

etc. consequent to the implementation of the recommendation of Fifth Pay Commission for Central Govt. employees.

The Govt. have now decided that the principal Metropolitan Cities of Calcutta and Chennai will be classified as 'A-I' Class cities for the purpose of grant of HRA to the Central Public Sector employees following CDA pattern, in pursuance of Ministry of Finance, Deptt. of Expenditure OM No.2(30)/97 EII(B) dated 18th May, 1998. A copy of the Ministry of Finance OM is enclosed for ready reference.

It has also been decided by the Government to revise the limit on rental ceilings for leased accommodation in respect of key-officials of the Central Public Sector Enterprises following CDA pattern in 69 PSEs. The details are given at Annexure-II.

All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of public sector enterprises, under their administrative control, who are following CDA pattern for their information and necessary action.

ANNEXURE – I

Copy of Department of Expenditure's O.M. No.2(30)/97-E.II(B) dated 18.5.98 regarding Classification of Calcutta and Chennai cities as 'A-1' class for the purpose of grant of House Rent Allowance to Central Government employees.

The undersigned is directed to refer to this Ministry's OM of even number dated 3rd October, 1997 regarding classification of various cities/towns for the purpose of HRA/CCA as per the recommendations of the Fifth Central Pay Commission (Vth CPC). Based on the population criteria recommended by the Fifth CPC, two principal metropolitan cities of Delhi and Mumbai have been classified as 'A-1', whereas the other two principal metropolitan cities of Calcutta and Chennai were classified as 'A' for the purpose of grant of HRA.

2. A number of representations have been received from different quarters urging restoration of parity between the principal metropolitan cities of Delhi, Mumbai, Calcutta and Chennai in the matter of HRA. The matter has been considered and the President is now pleased to decide that, in partial modification of the above mentioned O.M. dated 3rd October, 1997, the principal metropolitan cities of Calcutta and Chennai will be classified as 'A-1' class cities for the purpose of grant of HRA to the Central Government employees.
3. All other conditions governing grant of HRA under existing orders shall continue to apply.
4. These orders shall be effective from the date of issue of this Office Memorandum.
5. These orders will apply to all civilian employees of the Central Government. The orders will also be applicable to the civilian employees paid from the Defence Services Estimates. In regard to Armed Forces personnel and Railway employees, separate orders will be issued by the Ministry of Defence and Ministry of Railways, respectively.
6. In so far as the persons serving in the Indian Audit and Accounts Department are concerned, these orders issue in consultation with the Comptroller and Auditor General of India.

ANNEXURE – II

CEILING FOR LEASED ACCOMODATION FOR KEY-EXECUTIVES HOLDING POSTS BELOW THE BOARD LEVEL IN CENTRAL PSEs FOLLOWING CDA PATTERN WHICH IS PERSONAL TO THEM

Pay Scale	Plinth Area	Delhi, Bombay, Calcutta & Chennai “A” Class cities, B-1 & (A-1)	B-2	“C” class cities
18400-22400	1500	8960	5600	3920
16400-20000	1200	8000	5000	3500
14300-18300	1200	7320	4575	3200

Rent Recovery of Leased Accomodation:

As per paragraph X to XII of OM No.2(8)/91-DPE(WC) dated 3rd March, 1992.

A-1 (Delhi, Bombay), ‘A’ Class cities, B-1, B-2 and ‘C’ Class cities—w.e.f. 1.8.1997.

Calcutta, Chennai – w.e.f. 18.5.1998.

(DPE O.M. No. M-2(42)/97-DPE(WC) dated 20th July, 1998)

4. LTC suspension in central PSEs

Reference is invited to the DPE OM of even number dated 22nd May, 2001 vide which the Govt. decision to suspend the facility of LTC for the employees of central Government public enterprises, was communicated.

It has now been decided by the Government that the LTC facility may be allowed in case of the employees of those public enterprises wherein wage revision w.e.f. 1.1.92 and 1.1.97 have been implemented. However in case of the public enterprises where wage revision is still pending from 1.1.92 or 1.1.97, the suspension of LTC shall continue to operate.

(DPE O.M. No. No. 2(3)/2001-DPE(WC) dated 28th February, 2002)

5. Suspension of Leave Travel Concession in Central Public Enterprises—Relaxation to employees posted in North Eastern Region.

The undersigned is directed to refer to this Department’s O.M. No. 2(3)/2001-DPE(WC)-GL-XXXXVI dated 22.5.2001 on the above subject and to say that it has been decided that the instructions issued by the Department of Personnel & Training vide O.M. No. 31011/3/2001-Estt(A) dated 31.5.2001 (copy enclosed) regulating the LTC of Central Government Employees posted in North-Eastern Region including Sikkim, should be extended mutatis mutandis to the employees of Central Public Enterprises posted in North Eastern Region including Sikkim.

2. The administrative Ministries/Departments may therefore suitably advise all the Central public sector enterprises under their administrative control to implement the above decision of the Government immediately.

(DPE O.M. No. 2(3)/2001-DPE(WC) GL-VIII dated 12th June, 2002)

6. Leasing of Houses for officers in the Central Public Enterprises.

Reference is invited to DPE O.M. No. 2(49)/98-DPE(WC) dated 25.6.99 in regard to pay revision for the board level and below board level executives of the Central Public Enterprises w.e.f. 1.1.97. Para 10 of the O.M. reads as under:-

“In respect of leased accommodation, the boards of public enterprises will have the flexibility to review and provide for an adequate level of leased accommodation for the executives who are entitled to this facility.”

2. It has come to the notice of the Government that there have been certain irregularities in the matter of allowing leased accommodation, payment of higher rental value of the leased accommodation, allowing leased accommodation to non-entitled officers, allowing bigger accommodation to relatively junior officers etc. Such practices have been seriously viewed by the Central Vigilance Commission.

3. Although the Boards of public enterprises have the flexibility to review and provide for an adequate level of leased accommodation to their executives, the Boards should exercise control meticulously in order to see that no undue advantage accrues to the concerned officers who may be getting their own houses/flats self-leased or even getting company houses/flats on lease basis. In this regard appropriate action on the following lines needs to be taken by the Boards of PSUs while allowing leased accommodation to their executives:-

- (a) The Boards of PSUs may identify the executives who are entitled to leased accommodation and notify the same;
- (b) In case the company's own quarters/flats are given to the executives, these should be of the entitled plinth area. Such entitlement would also need to be specified by the Board of Directors;
- (c) If any officer is allowed to get his own flat/house on self-lease basis, the payment of lease money should in no case be higher than the market rate keeping in view the area/location of the flat/house. The basic point to be seen is that self-leased accommodation should not become a source of additional income by the officer concerned.
- (d) If the company provides leased accommodation after obtaining it from any private owner on lease basis, such decision of taking the flats on lease basis may be taken after following the set procedures such as inviting quotations/opening quotations in the presence of others etc.
- (e) In all cases where the company provides leased accommodation to its executives or even allows self-leased accommodation to its executives, the Board of Directors must fix the plinth area and the ceiling in terms of value which such area might attract keeping in view the categories of the cities the executives are posted i.e. A,B,C & unclassified cities.

4. The administrative Ministries are requested to bring the above to the notice of the Central PSUs under their charge and the PSUs may be advised to follow the above scrupulously. The administrative Ministries may like to monitor the implementation of the above conditions in their periodic review.

(DPE O.M. No. 2(38)/03-DPE(WC) GL-XXIV dated the 29th October, 2003)

7. Reclassification of cities/town on the basis of 2001-census – grant of House Rent Allowance (HRA) and Compensatory (City) Allowance (CCA) to Central Government employees.

The undersigned is directed to refer to para 9(1) and 11 of this Department's O.M No. 2(49)/98-DPE (WC) dated 25.6.99 and further clarifications in the matter contained in O.M dated 22.1.2001 and 2.5.2001

wherein grant of HRA and CCA with reference to the classification of cities had been indicated along with the revision of scales of pay with effect from 1.1.1997.

2. Department of Expenditure vide their O.M No. 2(21)/E.II.(B)/2004 dated 18.11.2004 has now issued the orders on re-classification of cities/towns on the basis of census 2001 for the purpose of grant of HRA/CCA to Central Government employees (copy enclosed). It has been decided that the re-classification of cities/towns on the basis of census 2001 for the purpose of grant of HRA/CCA as contained in the Department of Expenditure OM dated 18.11.2004 would also be implemented in the Central Public Sector Enterprises with effect from 1.4.2004.

3. All the administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the public sector enterprises under their administrative control for their information and necessary action.

Copy to DoE Re-classification of cities/towns on the basis of 2001 Census – grant of House Rent Allowance (HRA) and Compensatory (City) Allowance (CCA) to Central Government employees.

The undersigned is directed to refer to this Ministry's OM No. 2(30)/E.II.(B)/97 dt. 3.10.97 relating to grant of Compensatory (City) Allowance and House Rent Allowance to Central Government employees on the recommendations of the 5th Pay Commission whereby a list of cities/ towns classified as 'A-1', 'A', 'B-1' and 'B-2' for the purpose of CCA was enclosed as Annexure-I and another list of cities/ towns classified as 'A-1', 'A', 'B-1', 'B-2' and 'C' for the purpose of HRA was enclosed as Annexure-II. The matter relating to reclassification of cities/ towns on the basis of census 2001 for the purposes of grant of HRA/CCA to Central Government employees has been considered by the Government.

2. The President is pleased to decide that in supersession of all the existing orders relating to classification of cities/towns for the purposes of grant of HRA/CCA to Central Government employees, cities/towns shall now be re-classified as 'A-1', 'A', 'B-1' and 'B-2' for the purposes of CCA as enumerated in annexure-I and as 'A-1', 'A', 'B-1', 'B-2' and 'C' class for the purpose of HRA as enumerated in Annexure-II to these orders.

3. The special orders relating to grant of HRA/CCA in localities as listed in para 3 of this Ministry's OM No. 2(2)/E.II.(B)/93 dt. 14.5.93 shall continue to be applicable. The special orders issued vide OM No. 2(10)/91-E.II.(B) dt. 5.2.98 for grant of HRA at 'B-2' class city rates within the municipal limits of Jammu city, OM No. 2(30)/97-E.II.(B) dt. 18.5.98 relating to classification of Calcutta and Chennai as 'A-1' class for grant of HRA and OM No. 2(3)/E.II.(B)/04 dt. 1.3.2004 for classification of Goa, Port Blair and other areas of Andaman & Nicobar Island and Lakshadweep Group of Islands shall also continue to be applicable.

4. These orders shall take effect from 1.4.2004.

5. In their application to employees serving in the Indian Audit and Accounts department, these orders issue after consultation with the Comptroller and Auditor General of India.

6. Hindi version of this OM is attached.

(D/o Expenditure O.M. No. 2(21)/E.II.(B)/2004 dated 18th November, 2004)

LIST OF ‘A-1’, ‘A’, ‘B-1’ AND ‘B-2 CLASS CITIES WHERE COMPENSATORY (CITY) ALLOWANCE IS ADMISSIBLE TO CENTRAL GOVERNMENT EMPLOYEES

Name of State/ U.T	A-1	A	B1	B2
1.	2.	3.	4.	5.
Andhra Pradesh	Hyderabad (UA)	-	Vijayawada (UA), Visakhapatnam (UA)	Warangal (UA) Guntur
Assam	-	-	-	Guwahati (UA)
Bihar	-	-	Patna (UA)	
Chandigarh	-	-	-	Chandigarh
Chhatisgarh	-	-	-	Durg-Bhilai Nagar (UA) Raipur(UA)
Delhi	Delhi (UA)	-	-	-
Gujarat	-	Ahmadabad (UA) Surat (UA)	Rajkot (UA) Vadodara (UA)	Jamnagar (UA) Bhavnagar (UA)
Haryana	-	-	Faridabad	-
Jammu & Kashmir	-	-	-	Srinagar (UA) Jammu (UA)
Jharkhand	-	-	Jamshedpur (UA) Dhanbad (UA)	Ranchi (UA)
Karnataka	Bangalore (UA)	-	-	Belgaum (UA) Hubli-Dharward Mangalore (UA) Mysore (UA)
Kerala	-	-	Kochi (UA)	Kozhikode (UA) Thiruvananthapuram (UA)
Madhya Pradesh	-	-	Jabalpur (UA) Bhopal (UA) Indore (UA)	Gwalior (UA)

1.	2.	3.	4.	5.
Maharashtra	Greater Mumbai (UA)	Nagpur (UA) Pune (UA)	Nashik (UA)	Amravati Aurangabad (UA) Bhiwandi (UA) Solapur Kolhapur (UA)
Orissa	-	-	-	Cuttack (UA) Bhubaneswar (UA)
Pondicherry	-	-	-	Pondicherry (UA)
Punjab	-	-	Amritsar (UA) Ludhiana	Jalandhar (UA)
Rajasthan	-	Jaipur	-	Bikaner Jodhpur Kota
Tamilnadu	Chennai (UA)	-	Coimbatore (UA) Madurai (UA)	Salem (UA) Tiruppur (UA) Tiruchirappalli (UA)
Uttaranchal	-	-	-	Dehradun (UA)
Uttar Pradesh	-	Lucknow(UA) Kanpur(UA)	Meerut(UA) Agra(UA) Allahabad(UA) Varanasi(UA)	Moradabad Ghaziabad Aligarh Barielly(UA) Gorakhpur
West Bengal	Kolkotta	-	Asansol(UA)	-

ANNEXURE-II

OM No.2(21)/Eii(B)/2004 dated 18.11.04

LIST OF 'A-1, 'A', 'B-2' and 'C' CLASS CITIES WHERE HOUSE RENT ALLOWANCE IS ADMISSIBLE TO CERNTAL GOVERNMENT EMPLOYEES

A-1	A	B-1	B-2	C Class
1	2	3	4	5
		<u>Andhra Pradesh</u>		
	Hyderabad (UA)	-	Viyayawada (UA) Warangal (UA) Visakhapatnam (UA) Guntur	Adilabad (UA), Kagaznagar, Nirmal, Bellampalle, mandamarri, Mancherial (UA), Nizamabad, Bodhan, Kamareddy, Ramagundam (UA), Jogtial, Koratla, Karimnagar (UA), Sircilla, Siddipet, Sangareddy, Tandur, Mahbubnagar (UA), Wanaparthi, Gadwal (UA), Bhongir, Suryapet (UA), Nalgonda (UA), Miryalaguda (UA), Khammam

1	2	3	4	5
				(UA), Palwancha, Kothagudem (UA), Srikakulam (UA), Bobbili, Vizianagaram (UA), Anakapalle, Kakinada (UA), Rajahmundry (UA), Tuni, Samalkot, Pithapuram, Amalapuram, Tadepalligudem, Eluru (UA), Tanuku (UA), Bhimavaram (UA), Narasapur, Palocole (UA), Nuzvid, Gudivada, Machilipatnam, Sattenapalle, Vinukonda, Narasaraopet (UA), Chilakaluripet, Tenali, Ponnur, Bapatla, chirala (UA), Ongole (UA), Markapur, Kandukur, Kavali (UA) Nellore (UA), Gudur (UA), Cuddapah (UA), Proddatur, Rayachoti, Kurnnool (UA), Yemmiganur, Adoni (UA) Nandyal (UA), Rayadurg, Guntakal, Tadpatri, Anantapur (UA), Dharmavaram, Kadiri, Hindupur, Tirupati(UA), Srikalahasti, Madanapalle(UA), Chittoor.
-	-	A&N Islands	-	Port Blair
-	-	Assam	Guwahati (UA)	Dhubri, Bongaigaon (UA), Nagaon (UA), Texpur (UA), North Lakhimpur, Tinsukia (UA), Dibrugarh (UA), Sibsagar, Jorhat (UA), Diphu, Silchar(UA), Karimganj.
		Bihar		
-	-	Patna(UA)	-	Bagaha, Bettiah, Motihari (UA), Sitamarhi (UA), Madhubani, Supaul, Araria, Kishanganj, Purnia (UA), Katihar(UA), Saharsa, Darbhanga, Muzaffarpur, Gopalganj, Siwan Chapra, Hajipur, Samastipur (UA), Begusarai (UA), Bhagalpur (UA), Munger, Jamalpur, Lakhisarai, Bihar, Modameh, Arrah, Buxar, Sasaram, Dehri, Jehanabad, Aurangabad, Gaya (UA), Nawad, Jamui.
		Chandigarh		
-	-	-	Chandigarh	
		Chhatisgarh		
-	-	-	Durg-Bhiliai Nagar (UA), Raipur (UA),	Chirmiri (UA), Ambikapur (UA), Raigarh (UA), Korba, Bilaspur (UA), Rajnandgaon, Dalli-Rajhara (UA), Bhatapara, Dhamtari, Jagdalpur (UA),
		Delhi		
Delhi (UA),	-	-	-	-
		Goa		
-	-	-	-	Panaji (UA), Mormugao (UA), Margao (UA)
		Gujarat		
-	Ahmadabad (UA) Surat (UA)	Vododara (UA)	Rajkot (UA) Bhavnagar (UA)	Anjar, Bhuj (UA), Gandhidham, Palanpur (UA), Deesa, Sidhpur (UA), Patan (UA), Unjha, Visnagar (UA), Mahesana (UA), Kadi (UA), Himatnagar, Modasa, Kalol (UA), Gandhinagar, Viramgam, Dholka (UA), Dhrangadhra, Wadhwan (UA), Morvi (UA), Gondal

1	2	3	4	5
				(UA), Upleta, Dhoraji Jetpur Navagadh, Jamnagar (UA), Porbandar (UA), Junagadh (UA), Keshod, Mangrol (UA), Varaval (UA), Una, Amreli (UA), Savakundla, Botad, Palitana, Mahuva (UA), Anand (UA), Petlad, Khambhat (UA), Borsad, Nadiad (UA), Godhra (UA), Dohad (UA), Dabhoi, Bharuch (UA), Anklesvar (UA), Bardoli, Navsari (UA), Bilimora (UA), Valsad (UA), Vapi
		Haryana		
-	-	Faridabad	-	Panchkula Urban Estate, Ambala, Ambala (UA), Yamunagar (UA), Thanesar (UA), Kaithal, Panipat (UA), Karnal (UA), Sonapat (UA), Narwana, Jind, Tohana, Fatehabad, Mandi-Dabwali, Sirsa, Hisar (UA), Hansi, Bhiwani, Rohtak (UA), Bahadurgarh (UA), Narnaul, Rewari, Gurgaon (UA), Palwal
		Himachal Pradesh		
-	-	-	-	Shimla (UA)
		J & K		
-	-	-	Srinagar (UA)	Sopore (UA), Baramula (UA), Anantnag (UA), Udhampur (UA), Jammu (UA)
		Jharkhand		
-	-	-	Jamshedpur (UA) Randchi (UA)	Daltonganj, Ramgarh (UA), Hazaribag (UA), Saunda, Jhumri-Tilaiya, Giridih (UA), Deoghar (UA), Sahibganj, Dhanbad (UA), Phusro (UA), Bokaro Steel City (UA), Chiabasa.
		Karnataka		
-	Bangalore (UA)	-	Hubli-Dharwad, Mysore (UA)	Nipani, Gokak, Belgaum (UA), Jamkhandi, Rabkavi-Banhatti, Bagalkot, Ilkal, Bijapur (UA), Gulbarga (UA), Shahabad (UA), Yadgir, Basavakalyan, Bidar (UA), Raichur, Sindhnu Gangawati (UA), Koppal, Gadag-Betigeri, Dandeli, Karwar (UA), Sirsi (UA), Haveri, Ranibennur, Hospet, Bellary, Chitradurga (UA), Harihar (UA), Davanagere, Sagar, Shimoga, Bhadravati, Udapi (UA), Chikmagalur, Sira, Tumkur, Tiptur, Chik Ballapur, Chintamani, Kolar, Robertson Pet (UA), Dod Ballapur, Ramanagaram, Channapatna, Mandya, Hassan (UA), Mangalore (UA), Chamarajanagar, Kollegal.
		Kerala		
-	-	-	Kochi (UA) Thiruvandathan-puram (UA)	Kasaragod (UA), Kanhangad (UA), Kannur (UA), Payyannur, Taliparamba, Vadakara (UA), Quilandy, Kozhikode (UA), Malappuram (UA), Tirur, Ponnani, Palakkad (UA), Kunnankulam, Thrissur, (UA), Kottayam (UA), Changanassery, Alappuzha (UA), Kayamkulam, Thiruvalla, Kollam (UA), Nedmangad, Neyyattinkara.

1	2	3	4	5
		Madhya Pradesh		
-	-	Indore (UA) Bhopal (UA)	Gwalior (UA) Jabalpur (UA)	Sheopur (UA), Morena, Bhind, Dabra, Datia, Shivpuri, Guna, Ashoknagar, Tikamgarh, Chhatarpur (UA), Bina-Etawa (UA), Sagar (UA), Damoh (UA), Satna (UA), Rewa, Shahdol, Singrauli, Neemuch (UA), Mandsaur (UA), Jaora (UA), Ratlam (UA), Nagda, Ujjain (UA), Shajapur (UA), Dewas, Dhar, Pithampur, Mhow Cantt. (UA), Khargone (UA), Khandwa, Bhurhapur, Basoda (UA), Vidisha, Sehore (UA), Betul (UA), Sarni, Harda (UA), Itarsi (UA), Hoshangabad, Murwara, (Katni), Chhindwara (UA), Seoni, Balaghat (UA).
		Maharashtra		
Greater Mumbai (UA)	Nagpur (UA) Pune (UA)	Nashik (UA)	Amravati Aurangabad (UA), Bhilwandi (UA), Solapur	Nandurbar, Shirpur-Warwade, Dhule, Chopda, Bhusawal (UA), Jalgaon, Amalner, Chalisgaon, Shegaon, Malkapur, Khamgaon, Buldana, Akola, Akot, Karanja, Washim, Anjangaon, Achalpur, Wardha, Hinganghat, Kamptee (UA), Bhandara, Gondiya, Bhadravati, Chandrapur, Ballapur, Yavatmal (UA), Pusa, Wani, Nanded-Waghala, Hingoli, Basmath, Parbhani, Jalna, Malegaon, Manmad, Palghar, Vasai (UA), Virar, Nalasopara, Panvel, Navi Mumbai, Khopoli, Lonavala, Baramati, Sangamner, Kopergaon, Shirampur (UA), Ahmadnagar (UA), Bid, Parli, Ambejogai, Latur, Udgir, Osmanabad, Barshi, Pandharpur, Phaltan, Satara, Karad, Ratnagiri, Ichalkarnji (UA), Kolhapur (UA), Uran Islampur, Sangli (UA).
		Manipur		
-	-	-	-	Imphal (UA)
		Mizoram		
-	-	-	-	Aizawl
		Meghalaya		
-	-	-	-	Tura, Shillong (UA)
		Nagaland		
-	-	-	-	Dimapur, Kohima
		Orissa		
-	-	-	Cuttak (UA) Bhubaneswar (UA)	Bargarh Brajarajnagar, Jharsguda, Sambalpur (UA), Raurkela (UA), Barbil, Kendujhar, Baripada (UA), Baleswar (UA), Bhadrak, Paradip, Dhenkanal, Jatani (UA), Puri, Brahmapur, Balangir, Bhawanipatna, Rayagada, Sunabeda, Jeypur.
		Punjab		
-	-	Ludhiana	Amritsar (UA) Jalandhar (UA)	Pathankot (UA), Gurdaspur (UA), Batala (UA), Taran-Taran, Kapurthala, Phagwara (UA), Hoshiarpur, S.A.S. Nagar (Mohali), Gobindgarh (UA), Khanna, Jagraon, Moga (UA), Firozpur, Firozpur Cantt. (CB), Fizilka, Abohar, Malout, Muktsar, Faridkot (UA), Kot

1	2	3	4	5
				Kapura, Bathinda, Mansa, Barnala, Malerkotla, Sangrur, Sunam (UA), Nabha, Patiala (UA), Rajpura.
-	-	Pondicherry	-	Pondicherry (UA), Karaikal.
-	Jaipur	Rajasthan	Bikaner Jodhpur Kota (UA)	Ganganagar (UA), Suratgarh, Hanumangarh, Sardarshahar, Churu (UA), Ratangarh, Sujangarh, Jhunjhunun, Nawalgarh, Alwar (UA), Bharatpur (UA), Bari, dhaulpur (UA), Hindaun, Karauli, Gangapur city (UA), Sawai Mdhapur (UA), Dausa, Chomu, fatehpur, Sikar (UA), Ladnu, Nagaur (UA), Makrana (UA), Kuchamancity, Jaisalmer, Balotra, Barmer, pali, Kishangarh, Ajmer (UA), Bearwar (UA), Tonk, Budni, Bhilwara, Rajasamand, Chittaurgarh, Nimbahera, Baran.
-	Chennai	Tamil Nadu	Salem (UA) Coimbatore (UA), Tiruchirappalli (UA), Madurai (UA)	Erode (UA), Bhavani (UA), Chengalpattu, Kancheepuram (UA), Vellore (UA), Gudiyatham (UA), Arakonam, Vaniyambadi (UA), Ambur, Tirupathur, Hosur, Krishnagiri, Dharamapur, Arani, Tiruvannamalai, Tindivanam, Viluppuram, Mettur, Attur, Tiruchengode, Namakkal, Gobi-chettipalayam, Dharapuram, Coonoor (UA), Udhagamandalam, Tiruppur (UA), Mettupalayam, Pollachi (UA), Udumalaipettai, Valparai, Palani, Dindigul, Karur (UA), Neyveli (UA), Panruti, Chuddalore, Chidambaram (UA), Virudhachalam, Mayiladuthurai, Nagapattinam, Thiruvavur, Mannargudi, Kumbakonam (UA), Thanjavur, Pattukkottai, Pudukkottai, Karaikkudi (UA), Bodinayakanur, Theni-Allinagaram, Kambam, Rajapalayam, Srivilliputhur, Sivakasi (UA), Virudhunagar, Aruppukkottai, Paramakudi, Ramanathapuram, Kovilpatti, Thoothukkudi (UA), Puliyankudi, Sankarankoil, Kadayanallur, Tenkasi, Tirunelveli (UA), Nagercoil.
-	-	Tripura	-	Agartala
-	-	Uttaranchal	-	Dehradun (UA), Rishikesh (UA), Haldwani cum Kathgodam (UA), Kashipur, Radrapur, Roorkee (UA), Harwar (UA).
-	Lucknow (UA) Kanpur (UA)	Uttar Pradesh	Meerut (UA) Agra (UA) Varanasi (UA)	Saharanpur, Gangoh, Deoband, Kairana, Shamli, Muzaffarnagar (UA), Khatuli, Kiratpur (UA), Najibabad, Bijnor (UA), Nagina, Sherkot, Chandpur, Samabhal, Chandausi, Rampur, Amroha, Hasanpur, Mawana, Baraut, Modinagar (UA), Muradnagar, Loni, Behta Hajipur, Pilkhuwa, Hapur, Nodia, Dadri, Sikandrabad, Bulandshahar, Jahangirabad, Kujrja, Hathras (UA), Mathura (UA), Vrindavan, Firozabad

1	2	3	4	5
				(UA), Shikohabad, Kasganj, Etha, Mainpuri (UA), Sahaswan, Unhani, Budaun, Baheri, Faridpur, Pilibhit, Bisalapur, Tilhar, Shahjahanpur (UA), Gola Gokarannath, Lakhimpur, Sitapur, Laharpur, Shahabad, Hardoi, Unnao, Gangaghat, Rai Bareli, Farrukhabad-cum-Fatehgarh (UA), Chhibramau, Kannauj, etawah, Auraiya, Jalanun, Orai, Konch, Mauranipur, Jhansi (UA), Lalitpur, Rath, Mahoba, Banda (UA), Fatehpur, Bela Pratapgarh, Barabanki (UA), Faizabad (UA), Tanda, Sultanpur, Bahraich, Balrampur, Gonda, Basti, Deoria, Mubarakpur (UA) Azamgarh, Maunath Bhanjan, Ballia, Janupur, Ghazaipur (UA), Mughalsarai (UA), Bhadohi, Mirzapur-cum-Vindhyachal, Obra, Renukoot (UA).
		West Bengal		
-	Kolkata (UA)	-	-	Siliguri, Darjiling (UA), Alipurduar (UA), Jalpaiguri, Koch Bihar (UA), Raiganj (UA), Islampur, Balurghat (UA), Gangarampur, English Bazar (UA), Baharampur (UA), Dhulian, Jangipur, Kandi, Rampurhat, Suri, Bolpur, Asansol (UA), Katwa (UA), Kalna (UA), Durgapur, Bardhaman, Nabadwip (UA), Birnagar, Ranaghat (UA), Krishna Nagar (UA), Chikdaha (UA), Santipur, Habra (UA), Bangaon, Basirhat, Arambag, Bankura, Bishnupur, Puruliya, Kharagpur (UA), Ghatal, Medinipur, Jhargram, Haldia, Contai.

[DPE O.M. No.2(49)/98-DPE (WC) Dated 30th December, 2004]

8 Economy measures in Central Public Sector Enterprises (CPSEs) that are dependent on budgetary support for salary and allowances — Air travel entitlements of employees regarding.

Department of Expenditure have from time to time been issuing guidelines on austerity measures in expenditure to be observed by Government Departments and CPSEs. One of the measures outlined in OM dated 23.11.2005 issued by the Department of Expenditure on "Budget/Expenditure Management, Economy measures, rationalization of expenditure, and measures for augmentation of revenues" pertains to air travel by officials. Keeping in view the economy instructions issued by Government from time to time, need for autonomy of CPSEs and financial conditions of various CPSEs, it has been decided that:—

CPSEs dependent on budgetary support for salary and allowances may review the travel entitlements of their employees and bring them in line with Government of India guidelines issued from time to time and the economy measures that are in place. Board of Directors of such individual CPSEs should take note of these guidelines and accordingly, finalize travel entitlements of executives in those companies.

2. All administrative Ministries/Departments of the Government of India are requested to issue suitable instructions to CPSEs under their administrative control for strict compliance.

[DPE O.M. No.2(16)/95-DPE(WC)-GL -IX/06 5th September, 2006]

9 Upgradation of Greater Hyderabad Municipal Corporation and Bangalore as A-1 class city for the purpose of House Rent Allowance/Compensatory (city) Allowance-regarding.

The undersigned is directed to refer to this Department OM No. 2(49)/98-DPE (WC) dated 30.12.2004 forwarding therewith Department of Expenditure OM No. 2(21)/E-II(B)/2004 dated 18.11.2004 on the subject noted above where in reclassification of the cities/town on the basis of 2001 census for grant of House Rent Allowance (HRA) and Compensatory (City) Allowance (CCA) have been indicated.

2. Department of Expenditure *vide* their OM No. 2(21)/2007-E-II(B) dated 31.08.2007 and OM No. 2(6)/07-E.II(B) dated 21.09.2007 has now issued the orders on reclassification of Greater Hyderabad Municipal Corporation and Bangalore as A-1 class city for the purpose of grant of HRA/CCA to Central Government employees (copies enclosed). It has been decided that the re-classification of Greater Hyderabad Municipal Corporation and Bangalore for the purpose of grant of HRA/CCA as contained in the Department of Expenditure OM 31.08.2007 and 21.09.2007 would also be implemented in the Central Public Sector Enterprises *w.e.f.* 01.09.2007 & 01.10.2007 respectively.

3. All the administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the public sector enterprises under their administrative control for their information and necessary action.

[DPE O.M.No.2 (49)/98-DPE (WC)-GL-X Dated 11th October 2007]

10 Creation of a corpus in order to take care of medical and any other emergency needs of retired employees of CPSEs.

The 2nd Pay Revision Committee (2nd PRC) constituted for revision of pay and allowances in respect of Executives and Non-unionized supervisors of CPSEs following IDA pattern of pay scales in its report, *inter alia* recommended that CPSEs may create a corpus by contributing 1% to 1.5% of Profit Before Tax (PBT) to create a fund in order to take care of medical and any other emergency needs of retired executives and also those employees who are not adequately covered by the Pension Scheme.

2. In terms of DPE O.Ms. dated 26.11.2008 and 02.04.2009, CPSEs are allowed upto 30% of Basic Pay plus DA as superannuation benefits which may include CPF, Gratuity, Pension & Post Superannuation Medical Benefits While, a number of CPSEs already have scheme for extending post superannuation medical benefits and/or pension to their retired employees, many other CPSEs may not have any such scheme for their retired employees.

3. This Department had requested Ministries/Departments concerned with the CPSEs for furnishing their considered views about the feasibility and the methodology of operationalising the above referred recommendation of the 2nd PRC. DPE, however, did not receive appropriate response from concerned Ministries/Departments to the said recommendation. It is found that it would not be feasible to have a common/unified scheme for all the CPSEs. However, at the same time, a need is felt to have a scheme for the retired employees a CPSE so that they could avail medical and other emergency benefits. In such a situation, it would be better if decision to create or otherwise, a corpus to implement the recommendation, is left to the individual CPSEs.

4. After careful consideration of the recommendation of 2nd PRC, it has now been decided that individual CPSEs may create a corpus by contributing not more than 1.5% of PBT, in order to take care of medical and any other emergency needs to those retired employees, who are not covered by the pension scheme and/or post superannuation medical benefit scheme.

5. Administrative Ministries/Departments may, therefore, issue suitable instructions to the managements of CPSEs, to consider framing of a scheme, with the following guidelines:

(i) The scheme may be set up where there is a need felt for such a scheme for retired employees of a CPSE.

(ii) The scheme should take care of medical and any other emergency needs of those retired employees, who are not covered by the Pension scheme and/or post superannuation medical benefit scheme.

(iii) A Committee of Directors may be constituted by the Board of Directors of each CPSE for disbursement of fund, to the retired employees of the CPSEs, covered under the scheme. The Committee may also identify the areas of medical and any other emergency needs.

(iv) In the introductory year of operation of the scheme, not more than 1.5% of previous year's PBT should be permissible for funding of the scheme. In subsequent years, depending upon the need, contribution to the Corpus, if required, should be made. However, in no case the contribution to the Corpus, in any year will exceed 1.5% of the PBT of previous year.

(v) No budgetary support will be provided by the Government for the scheme.

6. The Board of Directors of each CPSE accordingly, may consider, framing of the scheme, keeping in view the above guidelines, based on their need and affordability, and submit proposal to the Administrative Ministry/Department for approval. The concerned Administrative Ministry/Department may with the concurrence of their Financial Advisor, obtain approval of the competent authority for the scheme.

7. A copy of the approved scheme may be forwarded to the Department of Public Enterprises for record, in due course.

[DPE O.M. No.2(81)/08-DPE(WC)-GL-XVI/2009 Dated 8th July, 2009]

11 Special Allowance to CPSE employees for serving in the difficult and far flung areas.

The undersigned is directed to invite attention to para 10 of DPE O.M. No. 2(70)/08-DPE (WC) dated 26.11.2008 which, *inter alia*, keep certain allowances (four) outside the purview of the ceiling of 50% of the Basic Pay. Para 10(iii) of the said O.M. dated 26.11.2008 provides for "Special Allowance upto 10% of Basic Pay for serving in the difficult and far flung areas as approved by concerned Ministries in consultation with the Department of Public Enterprises from time to time."

2. Some Ministries/Department, in particular, the Ministry of Petroleum & Natural Gas has raised the issue of Special Allowance to the employees of Oil Sector CPSEs serving in difficult and far flung areas.

3. The Department of Expenditure *vide* their O.M. No. 3(1)/08-E-II(B) dated 29.08.2008 has allowed Special Compensatory (Remote Locality) Allowance to the Central Government Employees serving in the specified areas in different States and Union Territories, listed as Part A, B, C and D in the annexure attached to the said O.M. Central Government employees have been allowed this allowance based on Grade Pay and locality/remoteness of the area.

4. In regard to the employees of Central Public Sector Enterprises (CPSEs), the Government has decided, after careful consideration, to allow and adopt Special Allowances based on localities as specified in Department of Expenditure O.M. No. 3(1)/08-E-II (B) dated 29.08.2008 referred above (and further orders issued from time to time) as per the following:—

Category	Part 'A' (Rs. per month)	Part 'B' (Rs. per month)	Part 'C' (Rs. per month)	Part 'D' (Rs. per month)
All employees of CPSEs	10% of Basic pay	8% of Basic pay	6% of Basic pay	4% of Basic pay

5. The above ceilings will be further subject to the provision contained in para '4' of DPE O.M. dated 02.04.2009. Further, in case an area is considered difficult and far flung by the administrative Ministry/ Department of the respective CPSEs and is not covered under the said O.M. dated 29.08.2008 [and further O.M.(s) issued by Department of Expenditure], the respective Ministry/Department, in consultation with their Financial Adviser may decide with respect to its CPSE, one of the rates of Special Allowances as indicated in para 4 above and the 'remoteness criteria' may be based on comparability of the locality with the localities as specified in Part 'A', 'B', 'C' or 'D' as indicated in Department of Expenditure O.M. dated 29.08.2008. With regard to the effective date of implementation, para 17 of O.M. dated 26.11.2008 read with para 2(v) of O.M. dated 02.04.2009 may be referred to.

6. All administrative Ministries/Departments of the Government of India are requested to issue suitable instructions to CPSEs under their administrative control.

[DPE O.M. No.2(77)/09-DPE(WC)-GL-XII/2010 Dated 22nd June 2010]

12. Recovery of rent for the leased accommodation from employees of CPSEs.

The undersigned is directed to refer to DPE O.M.No. 2(8)/91-DPE(WC) dated 03.03.1992 an payment of HRA to employees of CPSEs, which *inter alia*, provided for recovery of rent for leased accommodation provided by CPSEs to their employees. The O.M. dated 03.03.1992 stipulated that the CPSEs would recover rent from the employees provided with leased accommodation @ 10% of their revised basic pay. However, the above mentioned O.M. was cancelled along with several other DPE guidelines vide DPE O.M. dated 10.12.1997.

2. However, DPE's O.M. dated 19.7.1995 regarding 1992 pay revision of executives holding post below the Board level, *inter alia*, clearly provided that recovery towards rent for furnished and non furnished accommodation provided by the CPSEs is to be as per details given in sub paragraphs (x) and (xii) respectively of paragraph 4 of the O.M. 2(8)/91-DPE(WC) dated 3.3.1992. In other words, DPE O.M. dated 19.07.1995 resurrects the provisions of DPE O.M. dated 3.3.1992 regarding payment of HRA and recovery of rent for leased accommodation in respect of employees of CPSEs and this position still holds good. It may also be mentioned that similar provisions like 10% rent recovery by CPSEs have been provided in the model terms and conditions for Board level executives of CPSEs in 1997 as well as 2007 pay revisions. Further, DPE of O.M. dated 26.10.2010 *vide* para 2 I(b) provides ample clarification about rent recovery.

3. Thus, the present position is that even though O.M. dated 3.3.1992 may have been cancelled, the provisions contained therein pertaining to recovery of rent continue to be in vogue.

4. Administrative Ministries/Departments are requested to issue suitable clarification to the CPSEs under their administrative control ensuring that recovery of rent is as follows:—

- (i) In respect of leased accommodation (self lease or otherwise) arranged by the CPSEs rent is to be recovered from the employees @ 10% of basic pay or the actual rent whichever is lower.
- (ii) Recovery of rent for accommodation arranged by the Company in its own township, or from the pool of flats purchased by it and allotted to its employees, is to be @ 10% of basic pay or the standard rent fixed by Company, whichever is lower.

[DPE O.M. No.2(68)/08-DPE(WC)-GL IV/12 20th March, .2012]

13 Transport Allowance at the double rate to disabled executives of BHEL; (Shri Laxmikant Vijayvargiya Vs. Ministry of Heavy Industries & Public Enterprises & Others).

The undersigned is directed to refer to Case No. 183/1028/11-12 dated 22.01.2012 (copy enclosed for reference) of the Chief Commissioner for Persons with Disabilities on the subject mentioned above.

2. In this regard it may be mentioned that DPE O.Ms. dated 26.11.2008 and 02.04.2009 or 2007 pay revision of executives and non-unionised supervisors following IDA pattern of pay scales of CPSEs *w.e.f.* 01.01.2007, *inter alia* provide for only the following 4 allowances to be kept outside the limit of 50% ceiling on perks & allowances:

- (i) North-East Allowance limited to 12.5% of Basic Pay.
- (ii) Allowance for Underground Mines limited to 15% of Basic pay.
- (iii) Special Allowance upto 10% of Basic Pay for serving in the difficult and far flung areas as approved by concerned Ministries in consultation with the Department of Public Enterprises from time to time.
- (iv) Non-Practicing Allowance limited to 25% of Basic Pay for Medical Officers.

These O.Ms. have been issued with the approval of the Cabinet.

3. It may also be intimated that DPE O.M. dated 26.11.2008 also provide for an 'Anomalies Committee' comprising of Secretaries of Department of Public Enterprises, Department of Expenditure and Department of Personnel & Training to look into further issues/problems that may arise in implementation of Government decision on the recommendations of the 2nd Pay Revision Committee.

4. The issue as ordered by Chief Commissioner in his Order dated 02.01.2012 has, therefore, been decided to be referred to the Anomalies Committee for their consideration. The Committee's meeting was required to take place on 17.05.2012, however, it could not be held because of unforeseen sudden pre-occupation of some of the members. The Anomalies Committee is now scheduled to meet on 30.5.2012. Since Anomalies Committee may take some time to give its recommendations, and thereafter Government would also need some time to take a decision on the recommendations of the Committee, it would be necessary if stipulated time limit of 90 days is extended by at least 60 days more, to consider the implementation of the order dated 22.01.2012 of the Chief Commissioner. This would need modification of DPE O.M. dated 26.11.2008 issued with the approval of Cabinet and therefore it might have to be sent to the Cabinet for its approval.

5. DHI being the administrative Department in respect of BHEL is requested to seek at least 60 days more time to consider implementation of the order of the Chief Commissioner for Persons with Disabilities.

[DPE O.M. No. 2(42)/10-DPE (WC) 24th May, 2012]

14 Issue of HRA in respect of employees of Central Public Enterprises (CPSEs) under 2007 payscales

The undersigned is directed to refer to Para '7' of DPE O.M. dated 26.11.2008, which provides for the rates of HRA (based on population of a city) to the employees of CPSEs under 2007 pay scales. In this regard para '2' (iii) of DPE O.M. dated 02.04.2009 may also be referred to. The criteria for determining admissibility of, and for calculating HRA is clearly laid down in above said DPE O.Ms. However, as CPSEs and their Administrative Ministries/Departments frequently seek clarifications on the issue of classification of cities and the rates of HRA applicable to them, it is clarified that:—

The Department of Expenditure O.M. dated 29.08.2008 relating to grant of HRA to Central Government employees is based on classification of cities/towns as 'X', 'Y' & 'Z', where 'X' stands for cities with population of 50 lakhs and above, 'Y' stand for cities with population of 5 to 50 lakhs, and 'Z' stands for places with population less than 5 lakh. HRA is calculated @ 30%, 20% and 10% of basic pay of individual employees for each of the three categories of cities/towns respectively. The same criteria of classification of cities/towns is also applicable to the employees of CPSEs for admissibility of HRA. The criteria of rates of HRA will be the same for all employees for all employees of CPSEs (following 2007 pay scales) posted in a city/town covered under a particular classification, as provided for in DoE O.M. dated 29.08.2008 read with subsequent amendments, and as further extended by DPE to the employees of CPSEs.

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

[DPE O.M.No.2(46)/2012-DPE(WC)-GL-I/2013 Dated 07th January 2013]

15 Issue of creation of 'Corpus' for the retired employees of CPSEs and introduction of Superannuation Benefit Scheme for the executives and non-unionized supervisors of CPSEs after 01.01.2007.

The undersigned is directed to refer to Para '4' of DPE O.M. No. 2(81)/08-DPE(WC) dated 08.07.2000 read with para 2(i) of on No. 2(81)/08-DPE (WC) dated 20.7.2011 and Para 'V' of annexure-IV' of DPE O.M. No. 2(70)/08-DPE(WC) dated 26.11.2008 read with Para '2' (ii) O.M. No. 2(70)/08-DPE(WC) dated 02.04.-2009 on the subject noted above and to state that the benefit for employees who have retired from CPSEs prior to 01.01.2007 is totally different from that of executives and non-unionized supervisors retiring subsequent to 01.01.2007 and the sourcing of funds for these two mutually exclusive categories of employees is also different. One of the Administrative Ministry has requested comments of DPE on both the schemes. After due consideration, a need was felt that a general clarification/comments on both the schemes may be issued so that there may be no confusion in operation of both the schemes. The clarifications sought and the comments/clarification of DPE in this regard are enclosed.

2. All Administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs under their administrative control for action at their end.

Enclosure of DPE O.M. No. 2(1)/2013-DPE (WC) DATED 24.01.2013		
Sl. No.	Clarifications sought	Comments of DPE
1.	Whether the contribution of 1.5% of PBT to the made by CPSEs for providing medical benefits to retired employees (Pre-01.01.2007) is outside the ceiling of 30% prescribed for granting superannuation benefits to executives/non-unionized supervisors under the OM dated 02.04.2009 (post-01.01.2007 retirees) [O.M. No. 2(70)/2008-DPE (WC)];	The benefit for employees who have retired from CPSEs prior to 1.1.2007 is totally different from that of executives and non-unionized supervisors retiring subsequent to 1.1.2007. The sourcing of funds for the these two mutually exclusive categories of employees is also different. The schemes therefore, should also be separately framed based on DPE guidelines. The contribution of upto 1.5% of PBT for creation of corpus is for providing medical benefits and any other emergency needs is for employees who have retired prior to 1.1.2007 (<i>vide</i> DPE O.Ms. dated 08.07.2009 and 20.07.2011).The ceiling of 30% of basic pay + DA is in respect of executives and non-unionized supervisors retiring on or after 1.1.2007 from CPSEs and this is based on the concerned individual's basic pay from time to time. In view of the above, contribution of 1.5%of PBT has no relationship with 30% ceiling prescribed for grant of superannuation benefits.
2.	Whether the contribution under medical benefit schemes under DPE instructions dated 02.04.2009 in respect of post 01.01.2007 and the contribution under the scheme for creation of corpus under DPE OM	No, Corpus created out of 1.5% of PBT cannot be merged with contribution towards superannuation benefits limited to 30% of Basic Pay + DA. The two categories of employees and the schemes mean for each category cannot be merged.

Sl. No.	Clarifications sought	Comments of DPE
	<p>dated 08.07.2009 can be clubbed together to obtain one common medical benefit scheme for all the categories of retirees or is it mandatory to have two separate Schemes for Pre-2007 and post-2007 retirees? The above clarification is needed as clubbing of two Schemes may lead to cross-subsidization between the Schemes after some years when the number of pre-01.01.2007 retirees declines and the number of post-01.01.2007 retirees increase & due superannuation etc. [O.M. No. 2(70)/08-DPE (WC)] [O.M. No. 2(81)/08-DPE (WC)]</p>	
3.	<p>Whether it is permissible to cover workmen also under the Scheme dated 08.07.2009 which provides for contribution of 1 to 1.5% of the PBT to the corpus to take care of medical needs of retired executives and other employees of CPSEs not covered under Pension Scheme? [O.M. No. 2(81)/08-DPE (WC)]</p>	<p>Workmen are covered under the settlement arrived at between the Management and the Trade Unions based on the policy guidelines issued by DPE. The corpus created out of 1.5% of PBT as indicated in DPE O.Ms. dated 08.07.2009 and 20.07.2011 is meant for all the retired employees, which may include workmen of a CPSE retired prior to 1.1.2007. DPE O.Ms. dated 26.11.2008 and 02.04.2009, which <i>inter-alia</i> provide for superannuation benefits limited to 30% of Basic Pay+ DA is meant for executives and non-unionized supervisors. For workmen superannuation benefits would depend upon the settlement arrived at between the Management and the Trade Unions of respective CPSEs provided it does not clash with that of executives and non-unionized supervisors.</p>
4.	<p>While a minimum service requirement of 15 years has been prescribed for grant of pension and medical benefits under DPE OM dated 26th November, 2008, no Minimum service requirement has been imposed in cases of retired employees of CPSEs who are to be paid medical benefits from 1.5% PBT corpus as per DPEOM dated 08.07.2009. [O.M. No. 2(70)/08-DPE (WC)] [O.M. No. 2(81)/08-DPE (WC)]</p>	<p>DPE O.Ms. dated 08.07.2009 and 20.07.2011 do not envisage minimum service requirement for getting benefits out of the corpus upto 1.5% PBT meant for employees retired prior to 1.1.2007. [O.M. No. 2(81)/08-DPE (WC)]</p>

Sl. No.	Clarifications sought	Comments of DPE
5.	Should not such schemes have to be contributory only as per DPE guidelines? Some companies are making their Schemes contributory while HAL has proposed to fully fund the Scheme from Company funds?	DPE O.Ms. dated 26.11.2008 and 02.04.2009 do not provide for mandatory contribution on the part of employees. Employees contribution to other post retrial benefits would enhance their social security and therefore, the CPSE can frame scheme as per their requirement. [O.M. No. 2(70)/08-DPE (WC)]
6.	Whether this Scheme is covered under the limit of 50% fixed for Perks and Perquisites?	As per DPE O.Ms. dated 26.11.2008 and 02.04.2009, contribution towards superannuation benefits is subject to a ceiling of 30% of Basic Pay + DA. This benefit is in addition to perks and allowances and is therefore outside the 50% ceiling prescribed for perks and allowances. [O.M. No. 2(70)/08-DPE (WC)]

[DPE O.M.No.2(1)/2013-DPE(WC)-GL-VI/13 Dated 24th January 2013]

16 Foreign tours of Executives and Functional Directors of CPSEs

The undersigned is directed to refer to this Department O.Ms of even number dated 24.08.2007 and 20.07.2011 on the above subject. In this regard it may be mentioned that based on the recommendations of the Ad-hoc Group of Experts (AGE) concerning the above subject, DPE had issued the above referred O.M. dated 24.08.2007. Recently the Management of several CPSEs have again raised this issue, perhaps based on their respective experience of encountering delays in obtaining clearance of the competent authority for undertaking foreign tours. The issue of "delays and cumbersome procedures for foreign travel of CMDs and Directors of CPSEs" has been presented before the Government.

2. In accordance with the DPE O.M. dated 24.08.2007 the Directors of CPSEs can be permitted to proceed on foreign tours with the approval of the Chief Executives. As regards foreign travel by the Chief Executive of a CPSE, the administrative approval of the Reporting Officer is required, which is considered easier to obtain than seeking approval of the Board. Therefore, the requirement of prior approval of Secretary of the concerned Administrative Ministry for approving foreign tours of Chief Executives as contained in para 3.1 in the above mentioned O.M. dated 24.08.07 (copy enclosed) is more expedient.

3. It is reiterated that these guidelines should be strictly complied with so as to ensure expeditious clearance of such proposals.

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

[DPE O.M. No.2(23)/2007-DPE(WC)-GL-VIII/13 Dated 07th March 2013]

17 Keeping certain allowances outside the 50% ceiling for Perks and Allowances

The undersigned is directed to refer to this Department's O.Ms No.2(20)/2012-DPE(WC) dated 29.6.2012 on the above mentioned subject, wherein it has been clarified and clearly mentioned that no allowance/benefit/perks other than those mentioned in DPE's O.M. dated 26.11.2008 is admissible outside the 50% ceiling. This means that only 4 allowances namely (i) North-East Allowance; (ii) Allowance for Underground

Mines; (iii) Special Allowance for serving in difficult and far flung areas; and (iv) Non-Practicing Allowance are outside the purview of the 50% ceiling.

2. In spite of the above clarification, it is gathered that DPE guidelines are not being strictly adhered to in some CPSEs and allowances in some form or the other are being availed by executives over and above the 50% ceiling. These would be construed as serious violations of DPE guidelines and would not stand scrutiny of audit and other oversight agencies. Hence, all CPSEs are requested to follow DPE guidelines in letter and spirit.

3. Administrative Ministries/Departments may issue suitable instructions to the CPSEs under their administrative control for their information and strict compliance with DPE guidelines.

[DPE O.M. No. 2(17)/2010-DPE(WC)-GL-XV/13 Dated 11th June 2013]

(d) Others

1. Payment of sitting fee to non-official members of the Board of Directors of the Public Enterprises.

Under the existing arrangement, a non-official part-time member of the Board of Directors of the public enterprises is paid sitting fee at the following rates as per O.M. No.2(31)/87-BPE/DPE(WC) dated 15.6.88.

Schedule to which the PE belongs	For attending meetings of the Committee/Board per day the Board per day	For attending meetings of the Sub-Committee
	(Rs.)	(Rs.)
A	250	150
B	200	100
C	150	75
D	100	50

2. Government have now decided that the quantum of sitting fee may be revised as follows:-

- (a) Navratnas and profit-making public enterprises may decide on the quantum of or increase in sitting fee to their non-official part-time Directors within the ceiling prescribed by Department of Company Affairs.
- (b) Other PSEs: The management of these PSEs may decide the sitting fee to non-official part-time Directors in consultation with their administrative Ministries/Departments within the ceiling prescribed by Department of Company Affairs.

3. The profit making public enterprises as referred to at para 2(a) above are those enterprises, which have continuously earned pre-tax profits for last three years and do not suffer from negative net-worth. The specific dispensation for the profit making enterprises shall stand automatically withdrawn in the event of any PSE failing to fulfill these requirements for more than one year and in such cases, the sitting fee of the non-official part-time Directors would be decided as per procedure mentioned at para 2(b) above.

4. The administrative Ministries/Departments are required to bring the foregoing to the notice of the public enterprises under their administrative control.

(DPE O.M. No. 2(31)/87-DPE/(WC) dated 20th August, 1997)

2. Ex-gratia payment in Central Public Sector Enterprises and Establishment to which Payment of Bonus Act, 1965 as amended does not apply in respect of the Financial Year 1996-97.

The provisions of the Payment of Bonus Act, 1965 (as amended from time to time) do not apply to establishments in the public sector which do not fulfil the conditions stipulated in Section 20 thereof the proposal to pay ex-gratia in respect of the Financial year 1996-97 to the employees of the Central PSEs to which the Act did not apply due to their not satisfying the conditions laid down in Section 20 of the Act was under consideration of the Government. It has now been decided that all public sector enterprises under the administrative control of the Central Government those who come within the purview of Payment of Bonus

Act as well as those who do not come within the purview of Bonus Act due to their not satisfying conditions stipulated in Section 20 of the Payment of Bonus Act should regulate payment of Bonus/ex-gratia, as the case may be, strictly in accordance with the Provisions of the Payment of Bonus Act for each financial year commencing from the financial year 1996-97.

2. The management of the public enterprises are now authorised to disburse Bonus/ex-gratia to their employees for each financial year within the Provision of the Act, till the Provisions of the Payment of Act remain unamended, without making specific reference to the Govt.

3. It is also clarified that employees of public sector enterprises who were not entitled to payment of bonus/ex-gratia under the provision of the Payment of Bonus Act on account of their wage/salary exceeding Rs.3500/- P.M. as per provisions of the Payment of Bonus Act, 1965 which was amended on 30-8-95 through an enactment by the Parliament would not be paid bonus or ex-gratia as the case may be by the PSEs.

4. No additional budgetary funds would be made available for the purpose of payment of ex-gratia in any of the PSE.

5. It is clarified that no ex-gratia, honorarium, reward, etc., would be paid by the public sector enterprises under the administrative control of the Central Government to their employees over and above entitlement under the provisions of the Bonus Act or the executive instructions issued by the DPE in respect of ex-gratia unless the amount is authorised under the duly approved incentive scheme in accordance with the prescribed procedure.

6. These instructions will not apply to MTNL as separate instructions would be issued by the Department of Telecommunications to this enterprise based on the productivity linked bonus formula evolved for all employees of Department of Telecommunications.

7. The administrative Ministries/Department may please advise the public sector enterprises under their administrative control on the above lines.

(DPE OM No. 2(22)/97-DPE(WC) dated 20th November, 1997)

3. Death-cum-Retirement Gratuity for the employees of PSEs.

In continuation of this Department's OM of even number dated 20.10.1997 on the above mentioned subject, the undersigned is directed to state that in accordance with the payment of Gratuity (Amendment) Act, 1998, the Government have decided to enhance the Gratuity limit to Rs.3.50 lakhs. In pursuance of the Amendment, Sub-section 3 of Section 4 of the Payment of Gratuity Act, 1972 has been amended to substitute the words "one lakh" with the words "Three lakhs and fifty thousand". It shall be deemed to have come into force on the 24th day of September, 1997.

2. All the administrative Ministries/Departments are requested to bring the above to the notice of all the PSUs under their administrative control for information and compliance.

(DPE O.M. No. 2(9)/95-DPE(WC) dated 27th July, 1998)

4. Exclusive use of staff car by board level executives—consolidation of instructions.

Government has issued instructions from time to time to the Public Sector Enterprises about the use of the staff car by the Chief Executives and Functional Directors appointed at the board level. Very often references are received in this Department soliciting clarifications on various points. For the benefit of the Public Sector Enterprises/Administrative Ministries these have been reviewed, and revised and amended guidelines on the use of staff car have been consolidated and summarised as under. These would come into effect immediately.

1. TYPES OF CARS FOR STAFF CARS: PSEs should purchase only Ambassador, Fiat, Premier Padmini, Maruti, Maruti Vans (with high/flat roofs) and Gypsy for staff car purposes. Foreign made and expensive cars should not be purchased. The non-airconditioned cars should not be converted into airconditioned cars. Each staff car belonging to the PSEs should display the number plate in front and at the rear bearing prominently the name of the enterprise. Proposals for purchase of new staff car or replacement of the existing cars should, however, be approved by the Board of Directors.	
2. EXCLUSIVE FACILITY OF STAFF CARS: The Chief Executives of Schedule 'A' Public Sector Enterprises may be allowed air-conditioned cars for both duty runs and non-duty journeys. The existing limit for non-duty journeys shall continue. Other Board level officers would have non-air-conditioned cars for both duty and non-duty journeys. The ceilings on non-duty journeys would be as follows:	
Name of the city	Ceiling of the non-duty journey
Delhi, Mumbai, Calcutta Chennai, Bangalore & Hyderabad	1000 Kms. Per month
All other cities	750 Kms. Per month
Journeys between residence and office/place of employment would be treated as duty runs.	
3. RECOVERY FOR THE PRIVATE USE OF THE STAFF CAR: Only Chief Executives in Schedule 'A' Public Sector Enterprises would be allowed air-conditioned cars for non-duty journeys and the recovery amount for non-duty journey would be as follows:	
Non-air-conditioned cars	Rs. per month
Below 16 HP	325
Above 16 HP	490
Air-conditioned cars (only for Chief Executives in Schedule 'A' PSEs)	Rs. per month
Below 16 HP	520
Above 16 HP	780
4. USE OF STAFF CAR DURING LEAVE OF ABSENCE: The facility of the exclusive use of the staff car to the entitled executives could also be availed of during the period of leave not exceeding two months provided that period is spent at the headquarters. The members of the family of the concerned executive who remain absent from his headquarters continuously for a period of fortnight could also avail of the facility of the staff car allotted to the concerned executive subject to his agreeing to pay the rates specified for private use as also the cost of propulsion.	

5. FACILITY OF STAFF CAR FOR PRIVATE USE AT PLACES OTHER THAN HEADQUARTERS:

Private use of the staff car allotted to the executive should normally be restricted to the limits of the headquarters town where the concerned executive has been stationed. If an executive takes a staff car out of headquarters while on temporary duty to another station he could be permitted the private use of the staff car within the overall ceilings for private use referred to above.

6. KEY OFFICIALS AND OTHER EXECUTIVES BELOW THE BOARD LEVEL:

Key officials, for example, Executive Directors/General Managers in-charge of the constituent units could be provided the facility of staff car for official purposes. These executives are not entitled to the private use of the staff car. Executives other than the key officials should be paid the conveyance reimbursement or conveyance allowance at the approved rates.

7. This is in supersession of all the instructions issued earlier. All the administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the public enterprises under their administrative control for necessary action.

(DPE O.M. No. 2(53)/90-DPE(WC)-GIV dated 26th March, 1999)

5. Tours abroad by incumbents of top posts and all Board level executives in Public Enterprises

In supersession of DPE's OM No.20(5)/95-DPE(GM) dated 10.12.1997, the issue of foreign tours of Board level executives of Central Public Sector Undertakings has been reconsidered and it has been decided that:—

1. Prior approval of the Minister of the Administrative Ministry/ Department should hereafter be obtained in regard to foreign tours of Chief Executives and part-time as well as full time Directors of the Central Public Enterprises.
2. A statement of such foreign tours along with official tour note/report of the officers should be placed before the Board of Directors in its periodical meetings.
3. The Ministry may, while scrutinising the proposals for foreign tours of these officers, bear in mind the need to avoid unnecessary expenditure on such tours.

The Administrative Ministries/Departments are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for necessary action.

(DPE O.M. No. 2(41)/93-DPE(WC) G-XI dated 13th August, 1999)

6. Clarification on 5% of the distributable profits.

The undersigned is directed to refer to DPE O.M. No. 2(49)/98-DPE(WC) dated 25th June, 1999 regarding revision of scale of pay of Board level and below. Board level executives of Central Public Sector Enterprises.

Para 12 of the said OM reads as under:—

"Payment of perquisites and allowances may be upto a maximum of 50 per cent of the basic pay. Payments over and above the ceiling of 50 per cent should be entirely in the nature of Performance Related Payments which should not exceed 5 per cent of the distributable profits in an enterprise."

In regard to the performance related payments, question has been raised on the exact definition of distributable profits. In this context it is clarified that distributable profit represents the profit after tax and providing for transfers to Statutory Reserves such as Foreign Project Reserve, Investment Allowance Reserve, General Reserve (u/s 205 2A of the Companies Act) etc.

The distributable profit is arrived as below:		Rs/Cr
a)	Profit after tax	XXX
	Less : Transfer to reserves	
b)	Foreign Project reserve	XXX
	The reserve has to be created @ 50% of Export Profit. To be retained in the Books for 5 years and in the 61h year to be transferred to the general reserve.	
c)	Investment allowance reserve (Since withdrawn w.e.f. 1.4.88)	XXX
d)	General reserve (to be transferred upto 10% of the net profit.	XXX
	Under section 205 (2A) of the Companies' Act, "no dividend shall be declared by a company for any financial year out of the profits of the company for that year arrived at except after the transfer to the reserve of the company, such percentage of its profit for that year not exceeding 10% as may be prescribed".	
e)	Any other statutory reserve	
0	Distributable profit [a — (b + c + d + e)]	XXX
g)	Dividend (including dividend tax)	XXX
h)	Balance profit transferred to the general reserve (f— g)	

A concrete example of the computation of distributable profit in respect of a PSU (X) for the year 1999-2000 and its applicability will clarify the position as Annexed.

The administrative Ministries/Departments are requested to bring it to the notice of the Central Public Sector Enterprises under their administrative control for compliance.

CONCRETE EXAMPLE			ANNEXURE
Distributable Profit for PSU (X) for the year 1999-2000			
			Rs/Cr.
1.	Profit after tax	(a)	587
2.	Less: Transfer to reserve		
	i. Foreign Project reserve	(b)	7
	ii. Statutory General Reserve (u/s 205 2A)	(c)	59
	Distributable amount of profit for dividend (including dividend tax)	(a-b-c)	521
3.	Dividend (incl. Dividend tax) provided (Interim dividend @ 15%+ Final dividend @ 15% + tax on Dividend) proposed.	(d)	85
4.	Balance profit transferred to general reserve	(a-b-d)	495
In this case, 5% of distributable profit will be related to Rs. 521 crore and not to the dividend payout of Rs. 85 crore. The transfer to general reserve comprises a statutory element (Rs. 59 crore) and a voluntary element (Rs. 436 crores).reserve			

DPE OM No. 2(49)/98-DPE (WC) GL-XXIX dated 12th September, 2000

7. Fixation of pay re—employed pensioners—General Policy thereof—Raising limit of exemption of pension.

Reference is invited to this Department's OM No. 3/3/85-S&A Cell dated 29.10.96 on the subject mentioned above, in terms of which pension upto Rs. 500/- is to be ignored in fixation of pay on re-employment of service officers and officers holding Group 'A' posts who have retired before attaining 55 years of age.

2. The question of further liberalization of the provision has been under consideration and instructions have since been issued by the Department of Personnel and Training vide their OM No. 3/4/97-Estt.(Party-II) dated 7.11.97. It has now been decided to enhance the ignorable part of the pension from Rs. 500/- to Rs. 1500/- in the revised pay scale to the service officers and officers retiring before attaining the age of 55 years and holding group 'A' posts in civil side on their re-employment.

3. The pension for the purpose of pay fixation will mean gross monthly pension. These guidelines will take effect from 1.1.96. the limit of Rs. 1500/- per month on entire pension, as the case may be, will be applicable to cases of pensioners re-employed on or after 1.1.96. In the case of persons who are already on employment, their pay may be re-fixed on the basis of these guidelines w.e.f. 1.1.96, provided they exercise an option, in writing for such re-fixation within a period of 6 months from the date of adoption of these guidelines by the concerned Public Sector Undertaking (PSU), if they so opt, their terms would be determined afresh if they have been re-employed for the first time from 1.1.96.

4. The guidelines issued by BPE (now DPE) vide its OM NO. 3/3/85-S&A Cell dated 6.3.89 on the subject stand modified to the extent mentioned above. Pay fixation of the re-employed pensioners will be decided as per these provisions, except the cases in which re-employed pensioners have already retired after serving their tenure/remaining service on superannuation.

5. All administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for information and compliance.

(DPE O.M. No. No.K-114/97DPE(WC)GL dated 26th February, 2002)

8. Perquisites to part-time Directors and Government Directors in Central PSEs.

The undersigned is directed to refer to Department of Telecommunications letter No. JA(F)-2003/USF dated 4.4.2003 on the above subject and to say that this Department have not issued any guidelines authorizing the Board of Directors/ Corporates to allow the government Directors or part-time Directors to avail of any of the facilities such as computers and allied office equipments, air-conditioners, furnitures, furnishings including carpets/ curtains etc., at their residences, reimbursement of electricity charges and charges for hiring part-time Computer Operator/ Stenographer etc., from the PSEs. DPE guidelines on Navaratna/ Miniratna do not include these powers to be exercised by the Board of Directors. Deptt. of Telecommunications are, therefore, advised to immediately ask the concerned PSUs to withdraw these facilities provided to the part-time Directors and/ or Government nominee Directors, if any, lest it sets precedent for other PSEs.

The action taken in this regard should be intimated to the undersigned by 31st July, 2003.

(DPE OM No. 2(20)/03-DPE (WC) dated 21st July, 2003)

9. Revised ceilings on accumulation of Earned Leave.

The undersigned is directed to refer to this Department's OM No. 2(27)/85-DPE(WC) dated 24.4.1987 on the above subject, wherein it was decided that the management of Public Enterprises could enhance ceiling on accumulation of Earned Leave to 240 days only in cases where the existing Earned Leave Rules had envisaged accumulation upto 180 days. It was further clarified therein that the enhanced ceilings on accumulation of Earned Leave would also be applicable to the executives appointed on the Board of management of these Public Enterprises. The above enhanced limit was operative w.e.f. 1.7.1986.

2. It has now been decided to enhance with immediate effect the maximum accumulation of Earned Leave to 300 days to employees of CPSEs following Industrial Dearness Allowance pattern of scales subject to the conditions that the additional expenditure to be incurred on this account will be met by the CPSEs from their own internal resources without any budgetary support from the Government.

3. All administrative Ministries/Departments are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for their own information and necessary action.

[DPE O.M. No.2(53)/90-DPE(WC) Dated 5th August, 2005]

10. Recommendations of Ad-hoc Group of Experts on empowerment of Central Public Sector Enterprises (CPSEs) – guidelines regarding foreign tours of Chief Executives and Functional Directors of CPSEs.

The undersigned is directed to refer to this Department's O.M. No. 2(41)/93-DPE (WC)-GL-XI dated 13.8.99 which prescribed that prior approval of the Minister of the Administrative Ministry/ Department would be required in regard to foreign tours of Chief Executives and part-time as well as full time Directors of the CPSEs. These provisions were further relaxed vide O.M. Nos. 18(24)/2003 GM-GL, 64/ 65/ 66 dated 5th August, 2005 that Chief Executives of Navratna, Mini Ratna and profit making CPSEs will have the power to approve emergency business tours abroad of Functional Directors upto 5 day's duration.

2. The Adhoc Group of Experts on empowerment of CPSEs recommended that there should be detailed procedural guidelines including limits of financial expenditure on foreign travel of Chief Executives and broad guidelines formulated by the Board of Directors and that no reference to the Government for approval would be necessary unless deviation is required.

3. The issue of foreign tours of Board level executives of CPSEs has been reconsidered in the light of recommendations of Adhoc Group of Experts (AGE) and it has been decided that DPE will lay down only broad principles for foreign travel of Board level executives. The Board of Directors of the respective CPSEs will frame the guidelines according to their business needs within the principles laid down by DPE and obtain approval of their Administrative Ministry/ Department. In pursuance of this, the following broad guidelines are laid down with respect to foreign tours of Chief Executives and Functional Directors of CPSEs:

3.1. For Navratna, Miniratna and other profit making CPSEs, and CPSEs which do not depend on budgetary support for payment of salary/ wages etc., the Chief Executive may be permitted to undertake foreign tours with prior approval of Secretary of the Administrative Ministry. Functional Directors of such companies may be permitted foreign tours with the approval of Chief Executive.

3.2 For CPSEs that are sick and/or loss making, or have got budgetary support for salary/ wages in any of the last three years or that are referred to BIFR or BRPSE, foreign tour of Chief Executives as well as Functional Directors will require prior approval of the Administrative Ministry.

3.3 Generally no Chief Executive/Functional Director should undertake more than 6 (six) visits abroad in a year. If the nature of business demands a larger number of visits, a calendar of visits for the entire year should be prepared in advance and visits prioritized. For proposals relating to visits exceeding 6 (six) by a Chief Executive/ Functional Director, detailed justification would need to be furnished and such visits would be allowed only in exceptional cases, with the prior approval of Secretary in the Administrative Ministry/ Department.

3.4 Chief Executive/ Functional Director may, subject to the exigencies of work in the respective CPSE, be granted leave while on tour abroad for a period not exceeding 50% of the actual period of duty abroad (excluding the transit time from India to the country of deputation and back and enforced halt) or a fortnight, whichever is less, for personal reasons. Sanction of leave has to be obtained before proceeding on tour. Cases involving grant of leave in excess of limits indicated above should be decided with the prior approval of the Administrative Ministry.

3.5 Chief Executives of Schedule-A Companies which have not received budgetary support for salaries and wages during last three years, and which are not sick/ loss making or referred to BIFR/BRPSE may travel by First Class while going abroad. However, it is expected that utmost economy would be observed. Even when one is entitled, travel by First Class should be eschewed unless considered absolutely necessary. Board level functionaries may be entitled to various classes of air travel depending on the category of company they belong to, but will not be permitted for a higher class, than which is eligible, for protocol or any other reasons. As far as possible, efforts should be made to make use of modern communication technology like video conferencing, etc. and visits abroad should be undertaken when absolutely necessary.

4. The Board of Directors may frame guidelines for foreign tours of Chief Executives and Functional Directors according to their business needs with the approval of Administrative Ministry keeping the above principles in mind. The Administrative Ministry may approve the guidelines depending upon the sector, the performance of the CPSE and the business environment in which it operates.

5. All Administrative Ministries and Departments are requested to take note of the above decision and to advise the CPSEs under their administrative control suitably in the matter.

(DPE OM No. 2(23)/07-DPE (WC) GL-IX dated 24th August 2007)

11 Receipt of monetary benefits in the form of sitting fees, bonus, share in profits, stock options etc. by the employees of CPSEs (including Chief Executive and Functional Directors) and Government officers nominated as part-time Directors on the Boards of CPSEs, subsidiary/Joint Venture of CPSEs and any other companies.

This Department has been receiving references on the afore mentioned subject and the following clarifications are issued in this regard.

- (i) The whole time of a Government officer/CPSE employees (including Chief Executive and Functional Director) is at the disposal of the Government/CPSE, which pays him/her. Therefore, he/she may be employed in any manner required by the Government/CPSE, without claim for any additional remuneration.
- (ii) In case, any monetary benefits in the form of sitting fees, bonus, share in profits, stock options etc. are received by the employees of CPSEs (including Chief Executive and Functional Director) from their subsidiary/joint venture and any other companies, the same are required to be deposited with the CPSE that has nominated him/her as part-time Director in such companies.

- (iii) Similarly, the Government officers nominated by the Government/CPSE as part-time Directors on the Boards of CPSEs, subsidiary/joint venture of CPSEs and any other companies are also required to deposit with the Government, any monetary benefits received by them in the form of sitting fees, bonus, share in profits, stock options etc. from such companies.
2. Administrative Ministries/Departments are requested to bring the foregoing to the notice of the officers working in the Ministries/Departments and Central Public Sector Enterprises (CPSEs), under their administrative control for strict compliance, under intimation to this Department.

[DPE O.M..2(15)/06-DPE(WC) -GL -XV/08 17.11.2008]

12. Method of calculation of encashment of Earned Leave in CPSEs.

The undersigned is directed to refer to OM of even number dated 24.04.87 regarding the accumulation of earned leave which inter-alia, indicated that leave rules normally are framed by individual public enterprises with approval of the Board of Directors, keeping in view the broad parameters of the policy guidelines laid down in this regard by the Government.

2. While many CPSEs are following 30 days month for the purpose of leave encashment like in the Central Government, some CPSEs have adopted 26 days month. This adoption of 26 days month for the calculation of leave encashment by some CPSEs have attracted avoidable audit paras. On reference from C&AG, DPE has been separately advising administrative Ministries/Departments concerned with CPSEs on case by case basis to adopt 30 days' month for the purpose of leave encashment.
3. In order to bring about uniformity on the above issue across the CPSEs, it has been decided after careful consideration that CPSEs should adopt 30 days' month for the purpose of calculating leave encashment.
4. All the Administrative Ministries/Department concerned with the CPSEs are requested to issue suitable direction to the CPSEs under their administrative control in this regard.

[DPE O.M. No. 2(2)/85-DPE(WC)-GL -XVII/08 11.12.2008]

13. Recommendations of 2nd Pay Revision Committee (PRC) on compensation package in Sick CPSEs and CPSEs in category 'D' having income levels of less than Rs. 50 Crores; examination thereof.

Government, while considering the recommendations of the 2nd PRC, which was constituted for recommending revision of pay and allowances for executives and non-unionised supervisors of CPSEs w.e.f. 01.01.2007 decided, inter alia to examine the recommendations of the 2nd PRC on the subject mentioned above separately. The relevant extracts as given in para 6.2.4 and para 6.2.5 (b) of the report of 2nd PRC are at annexure-I.

2. A list of CPSEs under administrative control of your Ministry/Department, that had incurred losses for the year 2006-07 as per information available in Public Enterprises Survey 2006-07 is at annexure-II.
3. The Ministies/Departments concerned with the CPSEs are requested to furnish their considered views by 12.02.2009 about the feasibility of implementing these recommendations and the methodology of operationalising the same. The status of the proposal with regard to sick CPSEs, if any, sent to DPE for reference to BRPSE may also be intimated.

2nd PRC's recommendations on compensation package in Sick CPSEs and CPSEs in Category D having income levels of less than Rs. 50 Crores.

"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

(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."

ANNEX.-II

A list of 59 CPSEs that had incurred loss in 2006-07

(Rs. in Lakhs)

S. No.	Name of the Ministry/ Department/CPSE	Loss incurred in 2006-07
Department of Heavy Industry		
1.	Hindustan Salts Ltd.	-43
2.	Tyre Corporation of India Ltd.	-4793
3.	HMT Bearings Ltd.	-716
4.	Scooters India Limited	-2250
5.	Tungabhadra Steel Products Ltd.	-3750
6.	Nagaland Pulp & Paper Co. Ltd.	-1436
7.	NEPA Ltd.	-4447
8.	Bharat Wagons & Engineering Co. Ltd.	-2414
9.	Richardson & Cruddas Ltd.	-3762
10.	National Instruments Ltd.	-160
11.	HMT Machine Tools Ltd.	-14978
12.	Triveni Structurals Ltd.	-4685

S. No.	Name of the Ministry/ Department/CPSE	Loss incurred in 2006-07
13.	Bharat Heavy Plate & Vessels Ltd.	-3470
14.	Hindustan Cables Ltd.	-31068
15.	HMT Watches Ltd.	-19581
16.	Instrumentation Ltd.	-2780
17.	Andrew Yule & Co. Ltd.	-3991
18.	HMT Chinar Watches Ltd.	-3991
19.	Burn Standard Company Ltd.	-15186
20.	Hindustan Photo Films Manufacturing Corpn. Ltd.	65306
21.	Sambhar Salts Ltd.	-95
Ministry of Textiles		
22.	Birds, Jute & Exports Ltd.	463
23.	British India C Corporation Ltd.	366
24.	Brushware Ltd.	-4
25.	National Textiles Corporation Ltd. & its subsidiaries	-53580
26.	National Jute Manufactures Corporation Ltd.	-79449
27.	Jute Corporation of India Ltd.	-4404
28.	Handicrafts and Handloom Exports Corp. of India Limited	-267
Department of Fertilizers		
29.	Madras Fertilizers Ltd.	-11478
30.	Fertilizers & Chemicals Travancore Ltd.	-12473
31.	Fertilizer Corporation of India Ltd	-143259
32.	Hindustan Fertilizer Corporation Ltd.	-106514
33.	Brahmaputra Valley Fertilizer Corpn. Ltd.	-6237
Department of Chemicals & Petrochemicals		
34.	Bengal Chemicals & Pharmaceuticals Ltd.	-469
35.	Indian Drugs & Pharmaceuticals Ltd.	-35116
36.	Hindustan Fluorocarbons Ltd.	-931
37.	Orissa Drugs & Chemicals Ltd.	-71
38.	IDPL (Tamilnadu) Ltd.	-120
Ministry of Steel		
39.	Hindustan Steelworks Construction Ltd.	-8350
40.	Bharat Refractories Ltd.	-1532

S. No.	Name of the Ministry/ Department/CPSE	Loss incurred in 2006-07
41.	J&K Mineral Development Corporation Ltd. Department of Shipping	-18
42.	Hooghly Dock & Port Engineers Ltd. Ministry of Urban Employment & Poverty Alleviation	-7297
43.	Hindustan Prefab Ltd. Department of Food & Public Distribution	-1463
44.	Hindustan Vegetable Oils Corporation Ltd. Ministry of Railways	-2291
45.	Konkan Railway Corporation Ltd.	-23328
46.	Fresh and Healthy Enterprises Limited Ministry of civil Aviation	-19
47.	Air India Charters Ltd.	-7053
48.	Airline Allied Services Ltd.	-8536
49.	Indian Airlines Ltd.	-24029
50.	Air India Air Transport Services Limited	-23
51.	Air India Limited	-44793
52.	Hotel Corporation of India Limited Department of Telecommunications	-1271
53.	ITI Ltd. Ministry of Development of North Eastern Region	-40526
54.	North Eastern Regional Agricultural Marketing Corporation	-153
55.	North Easter Handicrafts & Handloom Dev. Corpn. Ltd Ministry of Environment & Forests	-247
56.	Andaman & Nicobar IsI. Forest & Plant. Dev. Corp. Ltd Ministry of Tourism	-1340
57.	Utkal Ashok Hotel Corpn. Ltd. Department of Bio Technology	-117
58.	Bharat Immunologicals & Biologicals Corp. Ltd. Ministry of Information & Broadcasting	-343
59.	National Film Development Corporation Ltd.	-527

[DPE O.M. No.2(74)/08-DPE-(WC) Dated 14th January, 2009]

14. Appointment / promotion of the employees of CPSEs in CDA scales of pay on or after 01.01.1989.

The undersigned is directed to invite attention to Para 3(iii) of this Department's O.M.No.2(43)/90-DPE(WC) dated 12.6.1990 which, **inter alia**, provides that all appointments made on or after 01.01.1989 in respects of all categories of employees by the CPSEs would be deemed to have been governed by the IDA pay scales and IDA. The aforesaid O.M. dated 12.6.1990 is in pursuance of the Supreme Court Judgment dated 03.05.1990 giving directions for implementation of the report of High Powered Pay Committee.

2 Para 3(ii) of the Supreme Court Judgment dated 03.05.1990 provides that the employees appointed on or after January 1, 1989 will be governed by such pay scales and allowances as may be decided by the Government in its discretion. Those appointed earlier with IDA pattern will continue to be governed in accordance with the terms and conditions of their appointment.

3 Earlier references were received from certain Ministries CPSEs wherein a question had been raised as to whether the word 'appointment' as mentioned in para 3(ii) of Supreme Court's Judgment dated 03.05.1990, Annexure-I to the DPE O.M. dated 12.06.1990 on the subject of implementation of High Powered Pay committee's recommendations, includes 'promotion' also. The matter was considered in consultation with Ministry of Law & Justice, Department of Legal Affairs. It was held that recruitment includes any method provided for inducting a person in public service. Appointment, selection, promotion and deputation are all well-know methods of recruitment. The words 'employment' or 'appointment' have been held to be wide enough to include the matter of promotion including promotion to selection posts.

4 On the issue whether 'appointment' includes 'promotion'. the clarification as per Para 3 above was given on a case by case basis. This issue has been raised again by some Ministries/CPSEs in the context of recent pay revision in the case of employees of both CDA and IDA pay scales in CPSEs. It is again emphasized that there is no change in the position as given in para 3 above.

5 In case there are any Court Cases/Court Orders relating to CDA/IDA pattern of employees in a particular CPSE, the Administrative Ministry/CPSE should take into account the implications of such Court Cases/Court Orders while switching over employees from CDA pattern of pay scales to IDA pattern of pay scales.

[DPE O.M. No.2(41)/09-DPE(WC)-GL-XX/2009 Dated 10th August 2009]

15. New Pension System introduced by Pension Fund Regulatory and Development Authority (PFRDA).

The undersigned is directed to forward herewith a brochure on the salient feature of the New Pension Scheme and to state that the New Pension System (NPS) was introduced by the Central Government for all New Employees *w.e.f.* 01.01.2004 and NPS has also been notified by the 23 State Governments in respect of their employees. Pension Fund Regulatory and Development Authority (PFRDA) has, based on Government advice, also extended NPS to all citizens of India (between the age of 18-60 years) on voluntary basis from 01.05.2009.

2. All administrative Ministries/Departments are requested to bring the contents of the NPS regulated by the PFRDA, to the notice of the Central Public Sector Enterprises (CPSEs) under their administrative control for necessary and guidance at their end.

DPE O.M. No. 2(131)/09-DPE(WC) 16th February, 2010]

16. Payment of Gratuity to the employees of CPSEs.

In continuation of this Department's O.M. 2(9)95-DPE (WC) dated 27.07.1998 read with O.M. No. 2(70)/08-DPE (WC) dated 26.11.2008 on the above mentioned subject, the undersigned is directed to state that the Payment of Gratuity Act, 1972 has been amended vide the Payment of Gratuity (Amendment) Act, 2010 (15 of 2010) notification dated 18.05.2010 published in the Gazette of India, In pursuance of the Amendment, Sub-section 3 of Section 4 of the Payment of Gratuity Act, 1972 has been amended to substitute the words "three lakhs and fifty thousand rupees" with the words 'ten lakhs rupees'.

2. As per Ministry of Labour and Employment's Notification No. S.O. 1217(E) dated 24.05.2010, the Central Government has appointed the 24th day of May, 2010, as the date on which the said Act shall come into force.

3. The administrative Ministries/Departments are requested to bring the above to the notice of all the CPSEs under their administrative control for information and compliance.

[DPE O.M. No.2(25)/10-DPE(WC)-GL-X/2010 Dated 02nd June 2010]

17. Bunching of increments and leave encashment on pay revision w.e.f. 1.1.2007 of executives and Non-Unionised Supervisors of CPSEs following IDA pattern of pay scales.

The undersigned is directed to refer to para 2(iii) and para 10 of DPE O.M. dated 26.11.2008.

2. Different Ministries/Departments/SCOPE, etc have raised the issues of bunching of increments to Board level executives of CPSEs and non considering the leave encashment as Perk & Allowance on pay revision (2007) w.e.f. 1.1.2007. These issues were placed before the Anomalies Committee, as provided under para '18' of DPE O.M. dated 26.11.2008.

3. Based on the recommendations of the Anomalies Committee it has been decided as follows:

- i) The benefit of bunching of increments be extended to board level executives of CPSEs also, where applicable, as per para 2(iii) of DPE O.M. dated 26.11.2008.
- ii) The component of leave encashment during service i.e. the expenditure on leave encashment, will not be treated as Perks and Allowance. It will not however, be treated as Pay and accordingly not qualify for any other benefit like HRA, etc.
- iii) Leave encashment on Superannuation will not be part of 30% ceiling of Basic Pay and DA for superannuation benefits.

4. Since both viz. bunching of increments and treatment of leave encashment would result in extra financial burden on CPSEs, the concerned CPSEs may be requested to keep in mind the provisions relating to affordability, no budgetary support from Government, internal generation of resources, sustainability and capacity to pay by CPSE.

5. Administrative Ministries/Departments are requested to issue suitable instructions to the CPSEs under their administrative control for information and necessary action.

[DPE O.M. No.2(41)/2010-DPE(WC)-GL-VVII/2010 Dated 24th September, 2010]

18. **Representation/Communications being received by DPE directly from various CPSEs/ employees of CPSEs/their employees' Associations/Trade unions etc.**

The undersigned is directly to say that this Department has been receiving a large number of representations/communications addressed directly to the Secretary, DPE and other officers of DPE from various CPSEs/employees of different grades/working in different CPSEs/from their associations/trade unions working in CPSEs regarding **miscellaneous Pay/wage related issues**. Addressing Letters/Representations/Communications directly to Secretary, DPE and other officers of DPE on above said issues is not appropriate and some times it leads to duplication of work and the same results into avoidable confusions/embarrassment. It may be pointed out that there are appropriate authorities/channels within the CPSEs and (if need arises) to their respective administrative Ministry/Department, to settle/dispose of the issues/grievances so raised, on day to day administrative matters or in terms of Pay/wage related orders/instructions issued by the DPE.

2. Administrative Ministries/Departments are requested to impress upon all the CPSEs under their Administrative control, that CPSEs/employees of CPSEs/ and their Associations/Trade unions should invariably route all their letters/representations/correspondence through proper channel and to exhaust the grievance mechanism available within the CPSEs and administrative Ministry, as the case may be.

3. The CPSEs may also suitably issue directions and bring it to the notice of all their employees/their Administrative/Trade Unions for strict compliance.

4. Letters/representations/correspondence in routine directly addressed to Secretary, DPE and other officers of DPE on Pay/Wage related issue would not be entertained, and no action would be taken on them. These would be simply filed.

[DPE O.M. No. 2(22)/11-DPE (WC) GL-IX/2011 Dated 30th May, 2011]

19. **Foreign tours of Executive and Functional Directors of CPSEs**

The undersigned is directed to refer to O.M. of even number dated 24.08.2007 on the subject mentioned above. In this regard it may be mentioned that based on the recommendations of the Ad-hoc Group of Experts (AGE) concerning the above subject, DPE had issued the above referred O.M. dated 24.08.2007. Recently an issue had been raised before the Government, that approval of Board of Directors is sufficient for foreign travel of Chief Executives of profit making CPSEs. Government has accordingly reviewed the provisions particularly those contained in paras 3.1 and 4 of the O.M. dated 24.08.2007.

2. It has been observed that the administrative approval of the Reporting Officer is required, before Chief Executive of a CPSE proceeds on foreign tour. In any case, obtained approval of Board of Directors for specific foreign tour may prove to be more cumbersome procedure unless prior omnibus approval of Board of Directors is obtained for a specific number of foreign tours of executives. Therefore, the requirement of prior approval of Secretary of the concerned Administrative Ministry for approving foreign tours of Chief Executives as contained in the above mentioned O.M. dated 24.08.07 is retained without any change.

3. It may be reiterated here that as provided in Para 4 of O.M. dated 24.08.2007, the Board of Directors may frame guidelines for foreign tours of Chief Executives and Functional Directors according to their business needs with the approval of Administrative Ministry/Department, keeping the above principles in mind. The Administrative Ministry may approve the guidelines depending upon the sector, the performance of the CPSE and the business environment in which it operates.

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

[DPE O.M. No.2(23)/07-DPE(WC) GL-XVI/2011 Dated 20th July, 2011]

20 Clarification sought by Audit on encashment of sick leave.

I am directed to refer to your letter No. Reports/DPE/2011-12/814 dated 7.3.2012 on the subject mentioned above.

2. As per DPE O.M. dated 24.4.1987. "leave Rules are framed by individual public enterprises with approval of the Board of Directors, keeping in view the broad parameters of the policy guidelines laid down in this regard by the Government". In this context DPE O.Ms. dated 05.08.2005, 10.12.2008 and 26.10.2010 regarding the issue of leave encashment may also be referred. Since Government's guidelines do not permit encashment of sick leave, the same can not be encashed. However, earned leave and half-pay leave can be considered for encashment of leave on retirement subject to over all limit of 300 days. The cash equivalent payable for half-pay leave would be equal to leave salary as admissible for half-pay plus DA. It is, however, clarified that to make up the short fall in Earned Leave, no commutation of half-pay leave would be permissible.

[DPE O.M.No.2(14)/2012-DPE (WC) Dated 17th July, 2012]

21 Permormance Related Pay (PRP) clarification regarding ESOP

The undersigned is directed to refer to Ministry of Mines O.M. No. 11(2)/2011-Met-I(Pt.I) dated 19.06.2012 on the subject noted above and to state that PRP is a variable component of the remuneration paid to executives of CPSEs. The concept of Employees Stock Option Scheme (ESOP) introduced in 2007 pay revision *vide* DPE O.M. dated 26.11.2008 is 'optional', and an employee benefit scheme. A portion of PRP can be paid in the form of ESOPs if the employee opts for it and as per provisions contained in Annex-IV (i), of O.M. dated 26.11.2008.

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

[DPE O.M. No.2(94)/2011-DPE(WC) Dated 02nd August, 2012]

22 Creation of corpus for retired employees of CPSEs.

The undersigned is directed to refer to DPE O.M. of even number dated 20.07.2011 on the subject mentioned above. The date '08.02.2009' appearing at the end of para 2 (iv) of the DPE O.M. dated "20.07.2011" may be read as "08.07.2009". There is no change in other contents of the said O.M. dated 20.07.2011.

[DPE O.M. No.2(81)/2008-DPE(WC)-GL-XIV/12 Dated 27th August, 2012]

23. Clarification sought by Audit on encashment of sick leave.

The undersigned is directed to refer to Department of Defence Production O.M. No. 25/1/2012/D(BEL) dated 19th/26th November, 2012 and DPE letter of even no. dated 17.07.2012 on the subject mentioned above and to state that DPE has not issued any guidelines permitting CPSEs for encahsment of sick leave in respect of their employees. Further, the guidelines have been issued for encashment of only Earned Leave (*vide* DPE

O.Ms. dated 24.04.1987, 05.08.2005, 10.12.2008 and 26.10.2010). Therefore, encashment of sick leave by some of the CPSEs is not covered by Government guidelines and is void ab initio.

[DPE O.M. No.2(14)/2012-DPE(WC)-GL-XXI/12 Dated 17th December, 2012]

24. Scales of Pay and Grades of executives at below Board level in CPSEs.

The undersigned is directed to refer to Annex-I of DPE O.M. dated 26.11.2008 which, *inter-alia*, provided different grades and corresponding pay scales in 2007 pay revision. It has come to the notice of this Department that in violation of DPE O.Ms. dated 26.11.2008 and 02.04.2009 some CPSEs have adopted higher or different pay scales than those prescribed under 2007 pay revision, for their executives at below Board level.

2. It is clarified that below board level executives of CPSEs have necessarily to be in the specified grades of EO to E9 in a CPSE depending upon the schedule of their CPSE. CPSEs are free to recruit executives for each grade as per their functional requirement, and as per the rules framed therefor. However, each CPSE can only adopt and recruit executives to the 10 grades (EO to E9) provided in the DPE guidelines. For example, in case if it is 'EO Grade', the corresponding pay scale must be Rs. 12,600-32,500 and in case it is 'E6 Grade', it has to be Rs. 36,600-62,000/-. The grade and corresponding scale of pay cannot be altered by the CPSEs. Appropriate nomenclature for these Grades as per the standard practice of the CPSEs may be followed.

3. Further, no intermediary scales have been permitted under DPE O.Ms. dated 26.11.2008 and 2.4.2009. Generally, promotion has to be from one 'Grade' to next higher 'Grade' with its corresponding scale as per the promotion policy of respective CPSEs. A CPSE cannot have more than one pay scale in a grade (say DGM & GM in E8 pay scale) to promote its executives within the same grade.

4. Administrative Ministries/Departments may suitable issue instructions to the CPSEs under their administrative control for their information and necessary action.

[DPE O.M. No.2(12)/2009-DPE(WC) Dated 24th December, 2012]

25. Issue of consideration of Stagnation Increment for the purpose of national Increment at the time of promotion.

The undersigned is directed to enclose BHEL letter No. AA/HR/IR/520 dated 14.6.2012 on the subject mentioned above.

2. On promotion, the executive would be entitled to the benefit of one national increment (3%) on his Basic Pay+Stagnation Increment, if any, and the pay would be fixed (rounded off to the next Rs. 10), in the promoted scale. However, on promotion the pay so fixed should not exceed the maximum of the scale to which the executive is promoted. In case his pay so arrived at is less than the minimum of the promoted scale, he/she would be entitled to get the minimum of the scale. Further, DPE has recently issued detailed O.M. dated 14.12.2012 on various pay related issues of executives of CPSEs. A copy of O.M. dated 14.12.2012 is available on DPE website www.dpe.nic.in

3. DHI being the administrative Ministry in respect of BHEL may suitably clarify to BHEL.

[DPE O.M. No.2(36)/2012/DPE(WC) Dated 26 December, 2012]

26. Payment of Performance-related pay (PRP) to executives of Central Public Sector Enterprises (CPEEs)

The undersigned is directed to refer to Ministry of Housing & Urban Poverty Alleviation O.M. No1-14020/1/2011-HR dated 7th September, 2011 and subsequent reminders on the subject mentioned above.

2. There are laid down guidelines providing for timely completion of the process of recording of Annual Performance Appraisal Reports (APARs) of executives of CPSEs and therefore all attempts should be made to finalize the APAR ratings of individual executives by following the laid down process as APAR ratings determine the payment of PRP. In the absence of APAR ratings, it would not be possible to pay PRP in terms of extant guidelines.

3. This Department has considered the issues raised by the Ministry of Housing & Urban Poverty Alleviation regarding (i) procedure to be followed in the matter of payment of PRP to executives of CPSEs, where no APARs were recorded, and (ii) payment of PRP to an executive, who served a CPSE for a period less than three months in a particular financial year and when no APAR has been recorded for that period. This Department is of the view that exceptions to the position brought out in Para 2 above could be allowed only in cases where APAR process could not be completed due to the following reasons:-

- (a) Demission of office and/or retirement of officer reported upon before the initiation of APAR.
- (b) Demission of office and/or retirement of reviewing/accepting authority before writing the APAR of the officers reported upon.
- (c) Non-recording/non-availability of APAR for the concerned period including the cases where the period of recording APAR is less than 3 months.

However, there could be other reasons also for non-availability of APAR and a considered view in such case(s) would be taken by DPE if such situations are brought to the notice of DPE by the Concerned administrative Ministry/Department.

4. It is clarified that in case APAR rating of a Board level executive of a CPSE is not available for the relevant period for the reasons brought in Para 3 above, APAR rating of the concerned Board level executive may be considered as one grade lower than the MOU rating of the concerned CPSE for the relevant financial year for the purpose of payment of PRP.

5. The payment of PRP to the concerned Board level executives(s) may be formalized as per laid down procedure for the consideration and approval by the Remuneration Committee of the concerned CPSE.

6. It is further clarified that above dispensation would not cover the case where APAR could not be completed because of the delay on the part of the executive being reported upon (in submission of self-assessment, etc.).

7. This has the approval of Minister of Heavy Industries & Public Enterprises.

[DPE O.M. No. 2(68)/11-DPE(WC) Dated 31st December, 2012]

27. Purchase, use, entitlement and other instructions regarding Staff Car in CPSEs-reg.

The undersigned is directed to refer to DPE O.M. dated 26.03.1999 regarding use of Staff Car by board level executives of CPSEs. After issue of above O.M. dated 26.03.1999 various changes have taken place, which include (i) liberalized and globalised economy, (ii) common availability of economical, fuel efficient,

and environment friendly vehicles (iii) implementation of 2007 pay revision in CPSEs and (iv) liberalized policy of the Government of India regarding staff car use by senior Government servants. This Department has received several references seeking clarifications/information on the issue of car vehicle facility provided to executives in CPSEs. In order to keep the instructions for use of Staff Car in CPSEs in tune with the changed economic scenario, the instructions as contained in DPE O.M. dated 26.03.1999 have been reviewed, and after due consideration, a need has been felt to revise the same with immediate effect as below.

(A) Types of cars for use as Staff Car: CPSEs may purchase latest model (s) of cars (AC/Non-AC), manufactured in India excluding SUVs/MUVs, not exceeding **2000 cc**, which are not expensive, for staff car purpose. The type of car(s) to be selected for purchase would depend upon factors like the schedule of the CPSE, ratna status, pay scales adopted, financial prudence, sustainability etc., The car should also be fuel efficient, environment friendly, etc. Non-air conditioned cars/vehicles should not be converted into air conditioned cars. Number plates of staff car must adhere to the motor vehicle Rules prevalent in the city. Staff cars shall display/paint in the front and at the rear the name of CPSE which owns the car. Purchase of new car for replacement of existing cars should have the prior approval of the Board of Directors of the CPSEs concerned, and should be in accordance with the austerity measures issued by DPE from time to time.

(B) Entitlement of Cars: The company car (AC Non-AC) would, be provided to the Directors and MD/CMD of CPSEs. The Executive Directors (E-9 Grade)/General Managers (E-8 Grade) heading the projects of CPSEs may also be provided with the company car (AC/Non-AC). For purpose of calculating an executive's cost to the company (CTC), the expenditure on car provided to him/her should be excluded. The status/grade of the 'executive' may be taken into consideration to determine the type of car to be provided to him/her.

(C) Ceilings on non-duty journeys: Non-duty journeys by staff car is permitted to Board level executives only. The ceilings on non-duty journey would be as follows:

Name of the city	Ceiling of the non duty journey
(i) Delhi, Mumbai, Kolkata, Chennai, Bangalore, and Hyderabad	1000 Km. per month
(ii) All other cities	750 Km. per month

It is clarified that journeys between residence and office/place of employment would be treated as duty runs.

(D) Recovery for the private use/non-duty runs of the Staff car: The recovery amount (AC/Non-AC) for private use/non-duty runs would be Rs. 2000/- per month.

(E) Use of Staff Car during leave of absence: The facility of exclusive use of the staff car to the entitled executives could also be availed of during the period of leave not exceeding two months provided that period is spent at the headquarters. The members of the family of the concerned executive who remains absent from his/her headquarters continuously for a period of fortnight could also avail of the facility of the staff car allotted to the concerned executive subject to his/her agreeing to pay the rates specified for private use as also the cost of propulsion.

(F) Facility of Staff Car for private use/non-duty runs at places other than headquarters: Private use of the staff car allotted to the entitled executive should normally be restricted to the limits of the headquarters town where the concerned executive has been stationed. If an executive takes a staff car out of headquarters while on temporary duty to another station he/she could be permitted the private use of the staff car within the overall ceilings for private use/non-duty runs referred to above.

(G) Provision in respect of key officials and other executives below the board level (non-heading the project): Key officials, for example, Executives Directors and General Managers in-charge of the constituent units, who are not heading and project of the CPSE concerned could be provided the facility of staff car for official purpose only. However, these executives would not be entitled to the private use of the staff car. Executives other than the key officials may be paid the conveyance reimbursement or conveyance allowance at the approved rates.

2. All the administrative Ministries/Departments of the Government of India are requested to bring the foregoing to the notice of the CPSEs under their administrative control for necessary action.

[DPE O.M. No. 2(23)/11-DPE(WC)-GL-V/13 Dated 21st January, 2013]

28. Payment of wages under the Minimum Wages Act to contract/casual workers in CPSEs.

The undersigned is directed to refer to the above noted subejct and to state that reportedly few CPSEs are not paying the statutory wages and allowances to their casual/contract workers admissible under the Minimum Wages Act.

2. It must be ensured that the wages to the workmen in CPSEs are regulated as per the provisions of Minimum Wages Act and the agreement concluded between the Management and the Trade Union, and in no case should the workers be paid wages less than the wages prescribed under the Minimum Wages Act. It may also be ensured that there is no incident of exploitation of casual/contract workers in any manner.

3. All administrative Ministries/Department of Government of India are requested to bring the aforesaid to the notice of the CPSEs under their administrative control for necessary action at their end.

[DPE O.M. No. 2(4)/2013-DPE-(WC) GL-VII/13 Dated 21st February, 2013]

29. Purchase, use, entitlement & others instructions regarding Staff Car in CPSEs.

The undersigned is directed to refer to this Department's OM of even No. dated 21.01.2013 on the subject noted above and to say that it has been decided to withdraw the provision mentioned in para 1 (G) of DPE OM 2 (23)/11-DPE (WC) dated 21.01.2013 pertaining to the issue of extending staff car facilities for official purpose to Executive Directors and General Managers in-charge of the constituent units, who are not heading any project of the CPSE.

[DPE O.M. No. 2(23)/11-DPE-(WC) GL-XXVI/13 Dated 04th November, 2013]

30. Encashment of Half Pay Leave (HPL) on superannuation - regarding

The undersigned is directed to refer to the following references received from various quarters seeking clarification/relaxation on the subject noted above.

- (a) National Thermal Power Corporation (NTPC)'s letter No. 01/HR: Policy, 7(2)/1106-084 dated 12.7.2013
- (b) Ministry of Power's OM No. 3/4/2013 TH. I dated 14.8.2013, 18.12.2013 and 27.12.2013

- (c) National Mineral Development Corporation (NMDC)'s letter No. 1639)/Rules/2012 dated 19.9.2013
- (d) Ministry of Steel's Letter No. 8(1)2013-RM-dated 29.10.2013
- (e) Department of Food & Public Distribution's OM No. 9-45/2011-SG dated 20.11.2013.

2. The issue has been examined in DPE and it is reiterated that the clarification issued vide the above mentioned DPE OM dated 17.7.2012 (copy enclosed) on encashment of Sick Leave/HPL at the time of retirement shall stand good.

3. With this, all the references made to DPE on this issue by CPSEs including those mentioned above, stand disposed off.

[DPE O.M. No. 2(14)/12-DPE-(WC) GL-IV/14 Dated 07th February, 2014]

31. Payment of Performance-related pay (PRP) to executives of Central Public Sector Enterprises (CPSEs)

The lunder signed is directed to enclose the copy of DPE OM of even number dated 31.12.2012 on the subject noted above.

All administrative Ministries/Departments of the Government of India are requested to issue suitable instructions to the CPSEs under their administrative control based on DPE OM dated 31.12.2012..

[DPE O.M. No. 2(68)/11-DPE-(WC) GL-V/14 Dated 10th February, 2014]

CHAPTER-VI

MEMORANDUM OF UNDERSTANDING (MoU)

(A) Guidelines for Signing of MoU

1. Guidelines for Memorandum of Understanding (MoU) between CPSE and Government Department /Ministry for the year 2013-14.

Please find attached a copy of the Guidelines for drafting of MoU for the Financial Year 2013-14. These guidelines are also available on DPE website <http://www.dpemou.nic.in>.

2. CPSEs (Holding as well as Subsidiaries) may be advised to draft MoU for the year 2013-14 on the basis of the said Guidelines.

3. An advance copy of the draft MoU for 2013-14, including enclosed Annexures and a copy of the Annual Plan, Annual Budget, Corporate Plan of the CPSE and its Subsidiary companies, may be sent directly to DPE in hard and soft copy by 30th November 2012. The main copy, after the approval of their Board, can be sent to DPE, Planning Commission and Ministry of Statistics and Programme Implementation through the Administrative Ministry/Department by the 15th December 2012. The approved copies are to be sent in advance by CPSEs to the Task Force members of the concerned Syndicate Group.

4. Modifications, if any, in these Guidelines will be issued before the negotiation meetings of CPSEs with the Task Force Syndicate Groups.

Guidelines for Memorandum of Understanding (MoU) between CPSE and Government Department/Ministry for the year 2013-14.

1. **Applicability:** All CPSEs (Holding as well as Subsidiaries), without exception, are required to sign MoUs ; while the Apex/Holding companies will sign MoUs with their administrative Ministries/ Departments, the Subsidiary companies will sign MoUs with their respective Apex/Holding companies on the same lines as MoU is signed between a CPSE and Government of India. Those CPSEs who do not stick to DPE's schedule for signing of MoU will have their MoU performance rated as **"Poor"**.
- 1.1 **Exemption from MoU:** In respect of CPSEs, which are closed/not in operation, merged, wound up, shell companies or are sick and on the verge of being closed or merged with no revival package in sight, the administrative Ministry will make recommendation to DPE for permission to exempt from signing MoU and DPE will take a final decision.
- 1.2 **Guiding Principles for setting targets:** MoU targets should be realistic, yet growth oriented, and inspirational and be consistent with the proposed Annual Plan, Budget and Corporate Plan of the CPSE and Results Framework Document (RFD) of the Ministry/Department. It should be the maximum achievable under the given and anticipated circumstances. The financial information disclosed to potential investors in IPO/FPO documents and interest of the shareholders should also be kept in view.
- 1.3 **Financial Targets (Static parameters):** The basic targets of Gross Sales, Turnover, Gross Margin, Net Profit should be determined on the basis of (i) projection based on last five years' actuals (ii) reference to sectoral as well as industrial growth (iii) forecast of growth outlook for the ensuing year (iv) benchmarking with peer Companies at national and global level . Financial Parameters and targets in MoU should be fixed using DPE's definitions as appearing in these guidelines (**Annexure I**).

- 1.4 **Non-financial Targets:** The non-financial targets should be SMART (Specific, Measurable, Attainable, Results-oriented, Tangible). The targets for non-financial parameters should be independently verifiable by an external agency, wherever applicable and CPSE should also specify the documentary evidence they would rely upon as proof of performance, the source/agency of such documentary evidence. The administrative Ministry concerned is entrusted with the responsibility of ensuring that a complete set of documentary evidence for every parameter, both financial and nonfinancial is submitted by the CPSE to DPE. Without this DPE would be handicapped in its evaluation of the performance of the CPSEs. This would entail an automatic downgrading by at least one notch from the rating claimed by CPSEs in respect of the parameters for which documentary evidence have not been submitted to DPE.
- 1.5 **Group Targets:** The performances of some CPSEs are inter — dependent because their operations cut across different Ministries/Departments. In -such circumstances, MoU targets of the concerned CPSEs should be so fixed that _they are jointly and severally responsible for their performance, and for achievement of the targets. In addition to the regular syndicate meetings, either one joint meeting of the syndicates in which these are included may be held, or separate meeting(s) of these CPSEs, Railways, administrative Ministries, DPE and the Convenors of their respective Task Force Syndicates be convened to sort out cross cutting issues.
- 1.6 **Revision of Targets :** Once the MoUs are signed, any revision of targets is not permissible. MoU targets are unconditional and non-provisional. However, during performance evaluation of MoU, for happenings beyond the control of the CPSE(force majeure type situation) , the power to permit offsets based on the recommendations of DPE/Task Force will continue to remain with the High Power Committee(HPC) on MoU.
- 1.7 **Task Force:** Task Force on MoU is a neutral and independent body of experts that assist the High Power Committee on MoU and Department of Public Enterprises in setting annual targets of CPSEs at the beginning of the year and performance evaluation of MoUs at the end of the year. For the year 2013-14 , CPSEs have been categorized into 12 syndicate groups including “Sick and Loss Making CPSEs” and “ Section 25 CPSEs”; Task Force on MoU for each syndicate will normally have 4 to 5 members. There will be one Chairman for Task Force on MoU. The list of Task Force members, syndicate wise will be available on DPE website <http://www.dpemou.nic.in>.
- 1.8 The Task Force will commence pre-negotiation meetings among themselves in December 2012 to discuss on the draft MoUs received from CPSEs and list out priority areas. Negotiation meetings will commence from **January 2012** to analyse, discuss and finalise the MoUs in respect of Apex/Holding CPSEs as well as Subsidiary Companies.
- 1.9 **Time-line:** An advance copy of the draft MoU for 2013-14, including enclosed Annexures and a copy of the Annual Plan, Budget, Corporate Plan of the CPSE and its Subsidiary companies, may be sent directly to DPE, Planning Commission and Ministry of Statistics and Programme Implementation in hard and soft copy by **30th November 2012**. The main copy, after taking the approval of their Board, can be sent to DPE **through the Administrative Ministry/Department by the 15th December 2012. The approved copies will also be sent in advance-by CPSEs to the Task Force members (2013-14) of the concerned syndicate group.**
2. CPSEs (Holding as well as Subsidiaries) under the administrative control of your Ministry/Department may be advised to draft MoUs for the year 2013-14 on the basis of the enclosed Guidelines. These guidelines are also available on DPE website <http://www.dpemou.nic.in>.

MoU Guidelines for the drafting of MoU for the year 2013-14

Memorandum of Understanding (MoU) is a negotiated agreement and contract between the **Government** and the Management of the Central Public Sector Enterprise (CPSE). It is intended to evaluate the performance of the CPSE at the end of the year vis-à-vis the targets fixed in the beginning of the year. CPSE shall follow the below listed guidelines and format while drafting the MoU document.

Part I

1. MISSION AND OBJECTIVES OF THE CPSE

1.1 Mission/Vision:

Mission should be a concise statement incorporating the rationale for the existence of the enterprise and its business/activities.

The Mission statement should be formulated keeping in view the fresh initiatives being planned or/and under active consideration by the enterprise.

1.2 Objectives of the CPSE

The objectives should be related to the mission of the enterprise and listed in order of priority as approved by the Board of Directors of the enterprise.

These objectives should cover quantitative and qualitative; commercial and noncommercial; and static as well as dynamic aspects of the operations of the enterprise.

Efforts should be made to ensure that all the objectives get reflected in the MoU Assessment Format.

1.3 Commitments / Assistance from the Government

Commitments/assistance expected from the Government should be relevant and related to the fulfilment of the agreed performance targets.

These obligations should have a direct bearing on the performance of the enterprise, and their effect on the performance should be quantified. The commitments/assurances in the MoU document could be incorporated appropriately in the Result Framework Documents (RFD). However, the targets fixed should not be made conditional or provisional.

2. PERFORMANCE ASSESSMENT TARGETS AND THEIR DETERMINATION

2.1.1 Performance evaluation is based on the 'Balanced Score Card' approach. It includes both "financial" and "non-financial parameters" having equal weights of 50% each. However, in the case of syndicate groups "Sick and Loss Making CPSEs" and "Section 25 CPSEs", the weights for financial and non-financial parameters are 40% and 60% respectively.

2.1.2 With a view to distinguishing 'excellent performance' from 'poor performance', 5 different performance targets should be fixed in the MoU on a 5 point -scale in the ascending order, that is, (1) 'Excellent', (2) 'Very Good', (3) 'Good', (4) 'Fair' and (5) 'Poor'.

2.1.3 The Task Force in consultation with the CPSE and administrative Ministry/Department will fix the Basic Target and levels of difference between Excellent, Very Good, Good and so on.

- 2.1.4 No provisional or conditional target fixation is permissible. Hence, all performance targets are unconditional.
- 2.1.5 Once the MoUs are signed between the CPSEs and the administrative Ministries/Departments, no revision of targets will be permitted. The MoU Task Force have the flexibility to select appropriate financial and non-financial parameters, weightage for each of these parameters, spread between basic and other levels of targets subject to broad DPE guidelines. The power to permit offsets while performance evaluation of MoU for happenings beyond the control of the CPSE(force majeure type situation) , based on recommendations of DPE/Task Force, will however, continue to remain with the HPC.
- 2.2 Financial Targets:**
- Definitions of Financial Parameters: All the financial parameters should conform to definitions which are adopted in the Public Enterprises Survey and laid before the Parliament every year Annexure - I is attached.
- 2.2.1 CPSE will give a self -certification (Annexure- IX) at the end of the MoU to the effect that while arriving at the targets of the financial parameters and management ratios, for negotiation the definitions and norms laid down in the MoU guidelines of DPE have been strictly and scrupulously followed and no deviations have been made.
- 2.2.3 The targets set should be realistic, growth oriented and aspirational. The target set in MoU should be consistent with the Budget Estimates for 2013-14 and in broad conformity with those approved by the Planning Commission, Ministry of Finance and other statutory or regulatory bodies, as applicable. It is observed that some CPSEs under-pitch their projected performance for the coming year to plead their case for soft targets. In such cases, while undertaking the performance evaluation of MoU, DPE/ Task Force will have the liberty to call upon the CMD of the CPSE to explain plausible reasons for such under pitching of targets and over-achievement with grossly high variations. The Task Force could make appropriate adjustments during performance evaluation and finalize score and rating accordingly. Thus, while fixing targets for the MoU for the year 2012-13, the following methodology shall be followed:
- 2.2.4 To determine the basic target (BT) for parameters like Gross Sales, Turnover, Gross Margin, Net Profit, Net Worth, the actual achievement of past 5 years (Annexure-VIII) and factors such as capacity and its expansion, business environment, projects under implementation and Company's growth forecast should be considered. Basic financial targets should be generally determined by projecting an ambitious growth over achievement or targets of the previous year, unless there was a bad performance in the previous year. In cases of bad performance, a realistic, achievable target considering growth on average of the last 3 years' actual performance could be taken. The targets for other financial parameters and management ratios can then be derived. For CPSEs which have only recently started signing MoUs, the projection shall be done using available data.
- 2.2.6 In case of benchmarking with national and/or international standards, the discretion of Task Force on MoU will apply.
- 2.3 Non-Financial Targets**
- 2.3.1 A CPSE can select non-financial parameters in consultation with the administrative Ministry/ Department which are considered crucial to its functioning and fulfillment of its objectives. However, non-financial targets fixed should be SMART (Specific, Measurable, Attainable, Results-oriented, Tangible), and which should be decided a priori at the time of draft MoU and during setting of targets.

The targets for nonfinancial parameters should be clearly identifiable and independently verifiable by an external agency, wherever applicable and CPSE should also specify the documentary evidence they would rely upon as proof of performance, the source/agency of such documentary evidence. The intention is to ensure strict, transparent and objective evaluation.

2.3.2 Dynamic Parameters

During the deliberations of the MoU negotiation meeting, if the Task Force comes to the conclusion that any of the dynamic parameter(s) as indicated in the MoU Assessment Format is not relevant to a particular CPSE, then the Task Force may evolve new parameters and adjust the balance weight relevant to that particular CPSE.

- 2.3.3 Ongoing as well as new projects to be implemented by CPSEs including those monitored by Ministry of Statistics and Programme Implementation should be included in non financial targets. List of projects completed, projects pending with time and cost overruns, percentage of milestones achieved within stipulated time, milestones of the ongoing projects that cannot be completed in the year, etc. should also be specifically mentioned.

2.3.4 Sector-specific and Enterprise—specific Parameters

Task Force will identify/evolve suitable sector- specific and enterprise-specific parameters and may alter weights in consultation with the CPSE /Administrative Ministry where fine-tuning is felt necessary and may also club the parameters together under Non-financial parameters, without any distinction between them.

2.3.5 Physical Targets

In addition to the financial performance of the CPSEs, quantifiable physical targets are very significant because they reflect productivity and efficiency of a CPSE. The Task Force will ensure that adequate weightage is assigned to physical targets in MoU of CPSE.

2.3.7 Corporate Social Responsibility

“Corporate Social Responsibility” is a compulsory element under the ‘Nonfinancial parameters’ with a mandatory weightage of 5%. Department of Public Enterprises has already issued Guidelines on Corporate Social Responsibility for CPSEs vide O.M. No.15(3)/2007-DPE(GM) dated 9.4.2010 and available in DPE website <http://dpe.nic.in/newg1/gIch1223pdf>.

The Task Force in discussion with the CPSEs during the negotiation meetings will finalize projects/ activities from the list in the Guidelines issued by DPE.

2.3.8 Research & Development

“Research & Development”(R&D) is a compulsory element under the ‘Non-financial parameters’ with a mandatory weightage of 5%.

The Task Force in discussion with the CPSEs during the negotiation meetings will finalize projects/ activities from the list in the Guidelines issued by DPE.

2.3.9 Sustainable Development:

“Sustainable Development” (SD) is included as a compulsory element under the ‘Nonfinancial parameters’ with a mandatory weightage of 5%.

Department of Public Enterprises has issued Guidelines on Sustainable Development for CPSEs vide O.M.-No. 3(9)/2010-DPE (MoU) dated 23rd September 2011 and is available on website http://dpemou.nic.in/MOUFiles/Sustainable_Dev.pdf.

The Task Force in discussion with the CPSEs during the negotiation meetings will finalize projects/ activities from the list in the Guidelines issued by DPE.

2.3.10 Compliance of Corporate Governance

Department of Public Enterprises has issued guidelines on Corporate Governance vide O.M. No.18(8)/ 2005-GM Dated 14th May 2010. Listed CPSEs will follow both SEBI guidelines and DPE guidelines while non-listed CPSEs would mandatorily follow DPE Guidelines.

In the MoU for 2013-14, “Compliance of Corporate Governance” will not be a parameter under the ‘Non-financial parameters’. However, for non-compliance, negative marking will be imposed.

2.3.11 Human Resource Management

“Human Resource Management” remains an element under the ‘Non-financial parameters’. Department of Public Enterprises has issued Guidelines on “Human Resource Management” for CPSEs vide O.M. No. 3(9)/2010-DPE (MoU) dated 29th September 2011 and is available on website [http://dpemou.nic_in/MOUFiles/HRM Guidelines.pdf](http://dpemou.nic_in/MOUFiles/HRM_Guidelines.pdf) .

The present Template for HRM is perceived to be very lengthy. Therefore, the Task Force in consultation with CPSEs during the negotiation meetings will decide the HR Parameters which are relevant and significant for better performance and efficiency of the CPSEs.

2.3.12 Compliance of DPE Guidelines

Compliance of DPE Guidelines, introduced in MoU of 2012-13 with mandatory weight of 5, will not be mandatory parameters in MoU 2013-14. Since CPSEs are required to comply with the instructions and guidelines of statutory and regulatory bodies, instead of taking them as parameters, negative marking in MoU is being introduced for non-compliance. Task Force will have the liberty to impose penalty of negative marks upto 5 depending on the degree and seriousness of non-compliance.

3. ENCLOSURES WITH DRAFT MOU

For MoU Exercise 2012-13, there were 12 Syndicate Groups in total. The same will continue for MoU Exercise 2013-14.

3.1 Key financial indicators of CPSEs relating to last five years along with MoU targets for 2013-14 should be submitted in format enclosed. (Annexure VIII)

3.1.1 MoU Assessment Format for different sectors

The CPSEs falling broadly in the “Manufacturing”, “Mining & Metals”, “Trading & Marketing”, “Contracts & Consultancy” and “Financial” sectors may adopt the MoU assessment format in line with the practice followed in previous years and with the approval of the Task Force during negotiation meetings. (Annexure- II -IV.) . ‘Sick and Loss making CPSEs’ and ‘CPSEs registered under Section 25 of the Companies Act’ will adopt the formats (Annexure-V & VI) .

3.1.2 The Summary Records of Discussion (SRD) minutes of the MoU negotiation meetings (2012-13) along with the Action Taken Report (ATR) on the minutes of MoU negotiation meetings (2012-13)

issued by DPE should be annexed with the draft MoU 2013-14.

3.1.3 CPSE, while submitting draft MoU should submit three copies each of Corporate Plan, Annual Report for 2011-12, and Reviewed Financial results for the period up to September 2012 to DPE and separately to Task Force Members(2013-14) of the concerned Syndicates. Similarly, performance up to Quarter ending December 2012 should be made available before/during the negotiation meetings.

3.1.4 In December 2012, after the receipt of the draft MoUs from the CPSEs, the Task Force could hold internal meetings to discuss among themselves and list out the observations, queries, doubts, etc. and seek requisite information and details from the respective CPSE through DPE. Before the negotiation meeting, the CPSE should send their response to the DPE.

4. **MoU SIGNING PROCESS AND TIMELINES**

4.1.1 The revised MoUs based on the minutes of the MoU negotiation meetings should be sent by all CPSEs (Holding as well as Subsidiary Companies) through administrative Ministries/Departments for authentication by DPE before signing of the MoUs.

4.1.2 To ensure that MoU system is conducted effectively in the DPE, the Administrative Ministry/ Department & CPSEs (Holding as well as Subsidiary Companies) shall follow the below mentioned timelines:

4.1.3 **Timely submission of MoU for the year 2013-14 :** An advance copy of the draft MoU for 2013-14, including enclosed Annexures and a copy of the Corporate Plan, Annual Plan of the CPSE and its Subsidiary companies, may be sent directly to DPE, Planning Commission and Ministry of Statistics and Programme Implementation and Task Force Members(2013-14) in hard and soft copies by 30th November 2012. The main copy, with the approval of the Board of Directors, can be sent to DPE through the Administrative Ministry/Department by 15th December 2012.

(i) **Timely signing of MoU for the year 2013-14:** Submission of copy of MoU signed between CPSE and Administrative Ministry/ Department and between Subsidiary Company and Apex / Holding CPSE, within the target date of **25th March 2013**.

(ii) Timely submission of Performance Evaluation Report for the year 2012-13 on the basis of **Audited data (Audited Accounts), Balance Sheet, Profit and Loss Account of the CPSE in revised Schedule VI as well as pre-revised Schedule VI and documentary evidence in support of achievement of nonfinancial parameters for the year 2012-13** to DPE and Task Force Members(for the year 2012-13) separately, after approval of the Board of CPSE and through their Administrative Ministry/Department within the target date of 31st August 2013.

(iii) **Non submission of Performance Evaluation Report:** Those CPSEs who do not submit Performance Evaluation Report with annual audited data by the prescribed date will not be evaluated by DPE and CPSEs will be rated 'Poor' in MoU and will not be eligible for MoU Excellence Awards / Certificates.

5. **MoU EVALUATION**

Evaluation of MoU of the CPSE is done at the end of the year on the basis of actual achievements vis-a-vis the MoU targets. CPSEs (Holding as well as Subsidiaries) are required to submit performance evaluation reports on the basis of audited data to Department of Public Enterprises and the Task Force members of the Syndicate Group, after approval of the Board of CPSE and through the administrative Ministries/Departments within the target date of 31st August.

After completing the evaluation of the performance of the MoU signing CPSEs with the assistance and expertise the Task Force, DPE submits the results of MoU Composite score and rating of CPSEs to the High Power Committee on MoU headed by the Cabinet Secretary for its approval. Once the High Power Committee gives its seal of approval to the evaluation done by the Task Force, the composite score and the ratings of the CPSEs become final.

5.1 Raw Score

Raw Score reflects the ‘actual performance’ in relation to the 5- point scale of MoU targets. If actual performance is equal to or more than the “Excellent” target (1), raw score would be 1.00. If actual performance is equal to or less than the “Poor” target (5), raw score would be 5.00. If actual performance falls in between “Excellent” (1) and “Very Good” (2), in that case raw score would be 1 + (Excellent-Actual) (Excellent-Very Good) and so on.

5.1.2 Composite Score and Rating

Composite score is an index of the performance of the CPSE which is calculated as the aggregate of all the weighted score of “the actual achievements” vis-a-vis “the targets” set on a 5-point scale.

The system of grading of CPSEs on the basis of MoU Composite Score is as follows:

MoU Composite Score	Rating
1.00 — 1.50	Excellent
1.51 —2.50	Very Good
2.51 —3.50	Good
3.51 —4.50	Fair
4.51 — 5.00	Poor

- 5.1.3 The concerned Syndicate Group of the Task Force on MoU would finalize the MoU Composite Score and Ratings of CPSEs by end -November.

6. MoU EXCELLENCE AWARDS

- 6.1. The total number of MoU Excellence Awards are 12 (1 from each of the 10 Syndicate groups, 1 from the listed CPSEs, 1 from amongst the turnaround sick and loss making CPSEs). All other ‘Excellent’ performing CPSEs get MoU Excellence certificates.
- 6.2 DPE vide O.M. No. 3(13)/2006-DPE(MoU) date 20th August 2007 issued the procedure for evaluation of MoU performance and principles for selection of 10 Excellent Awardees from each Syndicate, and Vide O.M.No. 3(29)/2007-DPE(MoU) date 7th January 2008 issued the methodology to be adopted for the selection of “ best listed” and “best turnaround sick and loss making CPSE” for Excellence Awards.

Definitions of Financial Parameters

Gross Margin: - represents excess of income over expenditure before providing for depreciation, interest on loans, taxes (including deferred taxes), extra ordinary items, prior period adjustments and appropriations to reserves.

Gross Profit: - means excess of income over expenditure before providing for interest, taxes (including deferred taxes), extra ordinary items, prior period adjustments and appropriations to reserves.

Net Profit: - means excess of operating income over expenditure after providing for depreciation, interest, taxes (including deferred taxes), extra ordinary items, prior period adjustments but before providing for appropriations to reserves.

Profit before taxes including deferred taxes and EP (PBTEP) means excess of income over expenditure before providing for taxes (including deferred taxes), extra ordinary items, prior period adjustments and appropriations to reserves.

Profit before EP (PBEP) means excess of income over expenditure after providing for depreciation, interest, taxes but before providing extra ordinary items, prior period adjustments and appropriations to reserves.

Net Worth: - means paid up capital, share application money pending allotment and reserves less accumulated losses and deferred revenue expenditure to the extent not written off.

Gross Block: - represents original cost of procuring and erecting fixed assets as appearing in the annual accounts of the CPSEs at the end of the accounting year and takes into account additions thereto and deductions there from by way of sales and transfers

Capital Employed: - means Gross Block of fixed assets less accumulated depreciation plus working capital.

Working Capital - means all current assets, loans and advances less current liabilities and provisions excluding cash credits and bank overdrafts.

Gross Sales: - represents the total turnover and includes elements of excise duty, commission and discounts, etc.

Turnover/Operating Income - means the aggregate amount for which sales are affected by the company including excise duty and receipts from operations / services rendered.

Added Value: - Added value is the residual after meeting the due returns to labour, capital and materials that reflects the overall efficiency of the CPSEs. Added value may be computed as gross margin less returns to capital, which in turn may be computed as capital recovery factor @ 4% the capital employed for social sector CPSEs and @10% for all other CPSEs.

Net Loss means excess of expenditure (including depreciation, interest, taxes, extra ordinary items, prior period adjustments but before providing appropriations to reserves) over operating income.

Return on Equity- It has been computed by deducting dividend on preference shares from Net Profit and divided by Net Worth as adjusted by the amount of preference share capital.

Earning Per Share: It is computed by dividing Net profit with paid-up capital and multiplying it by face value of each share i.e. Rs.10/-. For the purpose of uniformity and comparability face value of equity shares of each CPSEs has been assumed at Rs.10/- per share.

MoU Assessment Format for Industrial CPSEs-Manufacturing and Mining CPSEs

Evaluation Criteria 1. Static/Financial Parametery	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (1)	V.Good (2)	Good (3)	Fair (4)	Poor (5)	
(a) Financial indicators- profit relatedratios								
(i) Gross margin/gross block	%	2						
(ii) Net profit/net worth	%	10						
(iii) Gross profit/capital employed	%	10						
(b) Financial indicators-size related								
(i) Gross margin	Rs. Cr.	8						
(ii) Gross sales	Rs. Cr.	4						
(c) Financial returns-productiity related								
(i) PBDIT/total employment	%	7						
(ii) Addee value/sals	%	9						
Sub-total 1 (a+b+c)		50						
2. Dynamic Parameters*								
(d) Quality (ISO certification, internalization of quality within SBU/products)								
(e) Customer Satisfaction (Customer orientation)								
(f) Human Resource Management-HRM								
(g) R&D								
(h) Adoption of innovative practices								
(i) Project implementation (modernization and expansion)								
(j) Capital Expenditure/Greenfield investments/Joint Ventures								
(k) Extent of globalization Internationalization, joint entures, expots, strategic, market presence in emerging economies, internationalization along value chain)								
(l) Corporate Social Responsibility (CSR)								
(m) Sustainable Development								
Sub-total (d+e+f+g+h+l+j+k+l+m+n)								
3. Sector-specific Parameters								
4. Enterprise-specific Parameters								
Total (1+2+3+4)		100						
*Means of verification (documentary evidence and source/origin of documents) in respect of non-financial targets should be specified by CPSE.								

MoU Assessment Format for 'Trading and Consulting sector'

Evaluation Criteria 1. Static/Financial Parametery	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (1)	V.Good (2)	Good (3)	Fair (4)	Poor (5)	
(a) Financial indicators- profit relatedratios								
(i) Gross margin/gross block	%	10						
(ii) Operating turnover/Employee	%	12						
(b) Financial indicators-size related								
(i) Gross margin	Rs. Cr.	8						
(ii) Gross sales	Rs. Cr.	4						
(c) Financial returns-productivity related								
(i) PBDIT/total employment	%	7						
(ii) Added values/sales	%	9						
Sub-total 1 (a+b+c)		50						
2. Dynamic Parameters*								
(d) Quality (ISO certification, internalization of quality within SBU/products)								
(e) Customer Satisfaction (Customer orientation)								
(f) Human Resource Management-HRM								
(g) R & D								
(h) Project implementation (modernization and expansion)								
(i) Capital Expenditure/Greenfield investments/Joint Ventures								
(j) Extent of globalization (internationalization, joint ventures, exports, strategic, market presence in emerging economies, internationalization along value chain)								
(k) Corporate Social Responsibility (CSR)								
(l) Sustainable Development								
(m) Adoption of Innovative Practices								
Sub-total (d+e+f+g+h+i+j+k+l+m)								
3. Sector-specific Parameters								
4. Enterprise-specific Parameters								
Total (1+2+3+4)		100						
*Means of verification (documentary evidence and source/origin of documents) in respect of non-financial targets should be specified by CPSE.								

MoU Assessment Format for 'Financial sector'

Evaluation Criteria 1. Static/Financial Parametery	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (1)	V.Good (2)	Good (3)	Fair (4)	Poor (5)	
(a) Financial indicators—profit related		22						
(i) Disbursements								
(ii) Resource Mobilization								
(iii) Loan Sanctions								
(iv) Projects commissioned in value terms								
(v) Financial returns (difference in cost of borrowing and disbursements)								
(b) Financial indicator—size related								
(i) Gross margin	Rs. Cr.	8						
(ii) Gross sales (Rs. Crore)	Rs. Cr.	4						
(c) Financial returns—productivity related								
(i) PBDIT/total employment		7						
(ii) Added value/sales		9						
Sub-total 1 (a + b + c)		50						
2. Dynamic Parameters*								
(d) Quality (ISO certification, internalization of quality within SBU/products)								
(e) Customer Satisfaction (Customer orientation)								
(f) Human Resource Management—HRM								
(g) R & D								
(h) Project implementation (modernization and expansion)								
(i) Capital Expenditure/Greenfield investment/Joint Ventures								
(j) Extent of globalization (internationalization, joint ventures, exports, strategic, market presence in emerging economies, internationalization along value chain)								
(k) Corporate Social Responsibility (CSR)								
(l) Sustainable Development								
(m) Adoption of Innovative Practices								
Sub-total (d + e + f + g + h + i + j + k + l + m)								
3. Sector-specific Parameters								
4. Enterprise-specific Parameters								
Total (1 + 2 + 3 + 4)		100						
*Means of verification (documentary evidence and source/origin of documents) in respect of non-financial targets should be specified by CPSE.								

ANNEXURE-V								
MoU Assessment Format for 'CPSEs registered under Sec. 25 of the Companies Act, 1956'								
Evaluation Criteria				MoU Target				Documentary evidence and source/origin of documents
1. Static/Financial Parametery (40 %)	Unit	Weight (in %)	Excellent (1)	V.Good (2)	Good (3)	Fair (4)	Poor (5)	
1.1 Gross margin	Rs. Cr.	10						
1.2 Disbursements	Rs. Cr.	12						
1.3 % of total resources mobilized from source other than grant in aid of Government	%age	02						
1.4 Financial return (difference of average cost of borrowing and disbursement)	%age	05						
1.5 Gross Margin/Total employment of the CPSE at the year end as per Audited Accounts	Ratio	02						
1.6 Recoveries as a % of amount due	%age	04						
1.7 Recoveries as a % of amount overdue for varying years	%age	05						
Sub-total 1 (1.1+1.2+1.3+1.4+1.5+1.6+1.7)		40						
2. Non financial Paramenters* (60%)								
2.1 No. of Beneficiaries assisted during the year	No.	10						
2.2 % age of beneficiaries inspected during the year	%age	10						
2.3 %age of beneficiaries found during inspection to have psessed the assets created	%age	08						
2.4 %age of assisted beneficiaries found during inspection to have crossed poverty line	%age	10						
3. %age Reduction in Non-performing asets-year wise break up	%age	05						
5. No. of target group provided Entrepreneurship Development/skill development programme that help them to secure employment	No.	04						
6. Strategic plan prepared	Timeline	02						
7. Partnership with Government departments to leverage existing schemes	No.	02						
8. Partnership with EDP institutes to train beneficiaries	No.	02						
9. Net working with various institutions to achieve their mission/Adoption of Innovative Practices	Timeline	02						
Sub-total-2. (2+3+4+5+6+7+8+9)		60						
Total (1+2)		100						
*Means of verification (documentary evidence and source/origin of documents) in respect of non-financial targets should be specified by CPSE.								

MoU Assessment Format for 'Sick and Loss making CPSEs'								ANNEXURE-VI
Evaluation Criteria			MoU Target					Documentary evidence and source/origin of documents
1. Static/Financial Parametery (40 %)	Unit	Weight (in %)	Excellent (1)	V.Good (2)	Good (3)	Fair (4)	Poor (5)	
1.1 Gross Sales	Rs. Cr.	10						
1.2 Gross Margin	Rs. Cr.	10						
1.3 Gross Profit	Rs. Cr.	05						
1.4 Net Profit	Rs. Cr.	05						
1.5 Cash Generation from Operations	Rs. Cr.	05						
1.6 Working Capital/Turnover	Ratio	05						
Sub-Total 1 (1.1+1.2+1.3+1.4+1.5+1.6)		40						
2. Dynamic Parameters* (25%)								
2.1 Physical Targets								
2.2 Order Booking								
2.3 Quality								
2.4 Customer Satisfaction								
2.5 Project Implementation								
2.6 Corporate Social Responsibility (CSR)								
2.7 Sustainable Development								
2.8 Research & Development								
Sub-total 2. (2.1+2.3+2.4+2.5+2.6+2.7+2.8)		25						
3. Sector/Enterprise Specific Parameters (35%)								
3.1 Preparation/ Implementation (as the case may be) of the Business/Revival plan								
3.2 Technology Upgradation								
3.3 Generation of funds from non-performing assets								
3.4 Human Resource Management-HRM (manpower rationalization, productivity improvement, training, motivation and sucession planning etc.)								
3.5 Reduction in receivables								
3.6 Inventory Control								
Sub-total 2. (3.1+3.2+3.3+3.4+3.5+3.6)		35						
Total (1+2+3)		100						
*Means of verification (documentary evidence and source/origin of documents) in respect of non-financial targets should be specified by CPSE.								

MoU Assessment Format for ‘CPSEs Under Construction’									ANNEXURE-VII		
Evaluation Criteria	Unit		Weight	Excellent	V.Good	Good	Fair	Poor	Documentary		
1. Project Related Parameters			(in %)	(1)	(2)	(3)	(4)	(5)	evidence and source/origin of documents		
1.1 Physical Achievement (Time overrun)			25								
1.2 Project Cost (Cost overrun)			25								
Sub-Total (a+b)			50								
2. Dynamic Parameters*											
2.1 Corporate Plan/Vision											
2.2 Project Implementation											
2.3 corporate Social Responsibility (CSR)											
2.4 Sustainable Development											
2.5 Human Resource Management- HRM											
2.6 Research Development											
Sub-Total (2.1+2.2+2.3+2.4+2.5+2.6)											
3. Sector Specific Variables											
4. Enterprise Specific Variables											
Total (1+2+3+4)			100								
*Means of verification (documentary evidence and source/origin of documents) in respect of non-financial targets should be specified by CPSE.											
ANNEXURE-VIII (Rs. in Crore)											
TREND OF CPSE's PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FIVE YEARS											
Particulars	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14
	MoU	ACT UAL	MoU	ACT UAL	MoU	ACT UAL	MoU	ACT UAL	MoU	Projected for 31.3.2013	
Production											
Gross Sales											
Gross Margin											
Profit before tax											
Gross Block											
Less dep											
Net block											
Share Capital of CPSE											
Reserves&Surplus of CPSE											
Less deferredRevenue exp./pre-acquisition loss											

Particulars	2008-09		2009-10		2010-11		2011-12		2012-13		2013-14
	MoU	ACT UAL	MoU	ACT UAL	MoU	ACT UAL	MoU	ACT UAL	MoU	Projected for 31.3.2013	Projected
Less Profit & Loss A/c											
Net worth of CPSE											
Investment											
Sundry debtors/sales											
Inventory											
Total Current assets											
Total current liabilities & provision											
Net current assets											
Capital employed (Net block+netcurrent assets)											
Total debt (loan funds)											
Total assets											
No. of employees of CPSE											
Dividend paid											
Add value (gross margin less capital recovery factor 4% of capital employed for social sector and 10% for other CPSE)											
Ratios											
Debt/equity											
Return on Net worth (%age)											
PBDIT/Total employment of CPSE (Rs.)											
Gross Profit/Capital employed (%age)											
Net Profit/Net worth (%age)											
Working of gross margin											
Net profit											
Tax											
Net profit before tax											
Add Prior period											
Add extra ordinary items											

Particulars	2008-09		2009-10		2020-11		2011-12		2012-13		2013-14
	MoU	ACT UAL	MoU	ACT UAL	MoU	ACT UAL	MoU	ACT UAL	MoU	Projected for 31.3.2013	Projected
Profit before priorperiod											
Add Interest											
Gross profit											
Add depreciation											
Misc. expenditurewritten off											
Gross Margin before Interest, depreciation & misc. expenditure written off											
Additional for Financial Sector											
Financial Indicator-profit related											
i) Disbursement											
ii) Resource Mobilisation											
iii) Loan sanctions											
iv) Project Commissioned in value terms											
v) Financial return (difference of cost of borrowing & disbursement											
Additional for 'Trading & Consultancy Sector											
i) Gross margin/ gross sales											
ii) Operating turnover/Total No. of employee of CPSE											
iii) Gross margin- profit before interest, depreciation, tax including deferred tax, amortisation, prior period adjustment a/c & extra ordinary items—Rs. in Crores											
iv) Net profit after tax but before extra ordinary items and prior period adjustment a/c											
v) Added Value (Rs. in crores)											

Self declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2013-14. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per audited accounts as per MoU Guidelines. CPSE has no right of claim in this regard.

Authorised Signatory

[DPE OM No.3(12)/2012-DPE(MoU) dated 12.11.2012]

2. Additional information for MoU 2013-14

Department of Public Enterprises (DPE) has issued Guidelines for Memorandum of Understanding (MoU) between CPSE and Government Department /Ministry for the year 2013-14 vide O.M. No. No.3 (12)/2012-DPE (M01.3) Dated 12th November, 2012 and the undersigned is directed to convey the following matters in addition to the Guidelines.

A. The CPSE has to give following information for fixation of Targets in MoU 2013-14 by 18th January 2013:

1. List of projects completed, projects pending with time and cost overruns. percentage 01' milestones achieved within stipulated time, milestones of the ongoing projects that cannot be completed in the year, etc.
2. In addition to the financial performance of the CPSEs, quantifiable physical targets are significant because they reflect productivity and efficiency of a CPSE. The Task Force will like to assign adequate weightage to physical targets in the MoU of CPSE. Therefore, the segment wise details of physical production /achievement of last three years have to be submitted by the CPSEs to the DPE/Task Force.

B. The following points have to be included in the MoU 2013-14 as a footnote.

1. Non-compliance of Corporate Governance will also be penalized by way of - negative marking and the MoU Score will be increased in the following manner in accordance with DPE OM 18(8)/2005-GM, Dated 22nd June 2011.

Sl.	Annual Score	Grading	Penalty Marks	Difference in Score From 'Excellent'
			Grade	
01	85 % and Above	Excellent	0	0.00
02	75%-84%	Very Good	0	0.00
03	60%-74%	Good	0.5	0.02
04	50%-59%	Fair	0.5	0.02
05	Below 50%	Poor	1.0	0.04

If a CPSE fails to submit the Self evaluation report in the format enclosed with the OM, its Grading will be treated as poor and score will be inflated accordingly.

2. CPSEs have to give a Certificate regarding Implementation of Guidelines issued by DPE as per OM No. DPE/14(38)/10-Fin Dated 28th June 2011 and also a certificate from their auditors/Chartered Accountant in Practice. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task Force at the time of MoU Evaluation. (In other words, the MoU Ratings can be increased by 0.04).

C. Following new features are included in the MoU 2013-14.

1. The formal risk management training courses to Senior Management Personnel will be introduced as MoU Parameter under Human Resource Management in MoU/2013-14 as directed by Cabinet Secretary.
2. The option for funding R& D Activities with Department of Science & Technology in their Technology Development Fund and National Energy Board will also be incentivized as a MoU Parameter.
3. The CAPEX Targets as committed by CPSEs in the meeting taken by Principal Secretary to Prime Minister as on 3rd January 2012 have already been introduced as MoU parameter in the MoU for 2012-13 and CAPEX as parameter has to be included by the CPSEs as part of their MoU 2013-14 also. Other CPSEs may also like to introduce CAPEX as a MoU parameter,
4. New Guidelines on Corporate Social Responsibility (CSR) and Sustainability (SD)) for Central Public Sector Enterprises have been issued by DPE and Parameters for CSR and SD have to be reworked accordingly in the MoU 2013- 14. The Methodology to be adopted for the MoU Negotiation and Performance Evaluation are given in Annexure 1 and II.

D. Following information is required from Administrative Ministries/ Departments

1. Public enterprises are signing Memorandum of Understanding with their Administrative Ministries/ Departments. the performance of these enterprises is assessed with reference to the commitments made and actual assistance given to CPSEs which is to be quantified and a Report along with Performance Evaluation Score of CPSEs is to be submitted by Ministries/Departments to DPE. This will be reviewed by HPC, headed by Cabinet Secretary as provided in OM No. 3(13)/- 2006-DPE (MOU) dated 30th September 2005,
2. Administrative Ministries/Departments are also requested to submit a brief note giving details of their priorities/expectations from CPSEs under their Ministries for MoU 2013-14 by 18.01.2013 for the use of Task Force.

ANNEXURE -I

Format of CSR & sustainability

1. (i) **The degree of involvement of the employees and the top management in internalising the CSR and Sustainability agenda within the organisation could be determined by:**
 - a) The number of seminars / workshops training sessions organised to sensitize the employees and changing their mind set / orientation.
 - b) The presence of the top management executives in such meetings seminars courses.
 - c) The total number of employees covered through such initiatives, indicating also their levels/ grades.

1. (ii) **Impact of such involvement on products / services processes and reduction in carbon foot-print.**

The company would have to provide a list of such products/services/process which are produced or introduced during the year as a result of internalising the CSRs and Sustainability agenda.

2. **The efforts made and the success achieved in the engagement of key stakeholders through adoption of a good corporate communication strategy could be determined by:**

- a) The formulation of a corporate communication strategy.
- b) The level of executives involvement in the implementation of the communication strategy.
- c) The number of meetings / consultations held with key stakeholders.
- d) Establishment of feedback channels from key stakeholders regarding the performance of the company in social, economical and environmental sustainability.

3. **The adoption of sustainability reporting and disclosure procedures and practices**

This would be determined by the publication of annual reports on CSR and Sustainability and frequently updated display of information in this regard on the company's website.

4. **The degree of success in implementing the CSR and Sustainability projects they undertake during the year**

Under this the following information would need to be provided by the CPSEs:

- a) The name of the project
- b) Date of start of the project
- c) Annual targets planned for the year
- d) Budgetary allocation for the planned annual targets
- e) Name of the agency for baseline survey / need assessment
- f) Name of the agency for implementation of the activity / project
- g) Name of the agency selected for monitoring activity / project.
- h) The involvement of the CPSE in any or all these activities to be specified.
- i) Date of completion of the activities / projects planned for that year.
- j) The name of the agency engaged for evaluation of the completed project / activity during the year
- k) Report of the evaluating agency.
- l) The social impact assessment report, if any, in cases of activities / projects completed during the year

5. **The expenditure incurred on CSR and Sustainability activities (vis-i-vis the annual budgetary allocation) In this the total budgetary allocation for CSR and Sustainability activities / projects would have to be shown along with the total expenditure incurred on the projects / activities planned for that year.**

6. The effectiveness of the two-tier organizational structure in the process of planning, implementing and monitoring the CSR activities

It could be determined by the

- a) Existence of the two tier organization structure with mandatory membership of an Independent Director on the Board level committee.
- b) The frequency of meetings held by the Board level committee and by the Group of officers headed by the nodal officer.
- c) The range of decisions taken by the two tier structures in planning, implementation and monitoring of CSR activities.

ANNNURE II

Suggested Allotment of Marks for CSR and Sustainability

SI.	Parameter Maharatna	Marks for Other CPSEs	Marks for
1(i)	The degree of involvement of the—employees and the top management in internalizing the CSR and Sustainability agenda within the organization	1.00	1.00
(ii)	Impact of such involvement on products services processes and reduction in carbon foot-print	2.00	2.00
2.	The efforts made and the success achieved in the engagement of key stakeholders through adoption of a good corporate communication strategy	0.50	1.00
3.	The adoption of sustainability reporting and disclosure procedures and practices	0.50	1.00
4.	The degree of success in implementing the CSR and Sustainability projects they undertake during the year	3.00	2.00
5.	The expenditure incurred on CSR and Sustainability activities (vis-a-vis the annual budgetary allocation)	0.50	0.50
6.	The effectiveness of the two-tier organizational structure in the process of planning, implementing and monitoring the CSR activities	0.50	0.50
(Note: The weightage for the mandatory parameter Corporate Social Responsibility (CSR) and Sustainable Development (SD) was 10 marks. Now it has been revised to 8 marks, for both CSR and SD)			

[DPE OM No.3(12)/2012-DPE(MoU) dated 10.01.2013]

3. Guidelines for Memorandum of Understanding (MoU) for the year 2014-15.

Please find attached herewith a copy of the Guidelines for drafting of MoU for the Financial Year 2014-15. These guidelines are also available on DPE website <http://www.dpemou.nic.in>.

2. CPSEs (Holding as well as Subsidiaries) may be advised to draft MoU for the year 2014-15 on the basis of the said Guidelines.

3. An advance copy of the draft MoU for 2014-15, including Annexures and a copy of the latest Annual Plan, Annual Budget, Corporate Plan along with details specified in MoU guidelines 2014-15, of the CPSE and its Subsidiary companies, may be sent directly to DPE in hard and soft copy by 9th December 2013. The main copy, after the approval of their Board, can be sent to DPE, Planning Commission and Ministry of Statistics and Programme Implementation through the Administrative Ministry/Department by the 20th December 2013. The approved copies with all documents/Annexures are to be sent by CPSEs to the Task Force members of the concerned Syndicate Group well in advance before the date of MoU Negotiation Meetings.

Modifications, if any, in these Guidelines will be issued before the negotiation meetings of CPSEs.

Guidelines for Memorandum of Understanding (MoU) for the year 2014-15

1. **Applicability:** All CPSEs (Holding as well as Subsidiaries), without exception, are required to sign MoUs. The Apex/Holding companies will sign MoUs with their administrative Ministries/Departments, while the Subsidiary companies will sign MoUs with their respective Apex/Holding companies on lines similar to that of the MoU signed between a CPSE and its administrative Ministry/Department.
2. **Exemption from MoU:** In respect of CPSEs, which are closed/not in operation, merged, wound up, shell companies or are sick and on the verge of being closed or merged with no revival package in sight, the administrative Ministry shall send the proposal with its recommendations to DPE by 20th December, 2013.
3. **Guiding Principles for setting targets:** MoU targets should be realistic yet growth oriented inspirational and consistent with the proposed Annual Plan, Budget and Corporate Plan of the CPSE and Results Framework Document (RFD) of the Ministry/Department. It should be fixed keeping in consideration the targets/goals indicated in the Plan document or during annual plan discussions and as per allocations approved by Ministry of Finance. Directions by statutory or regulatory bodies, as applicable should also be factored in. Targets should be the maximum achievable under the given and anticipated circumstances. The financial information disclosed to potential investors in IPO/FPO documents and interest of the shareholders should also be kept in mind.
4. **Financial Targets (Static parameters):** The basic targets of relevant financial parameters should be determined on the basis of (i) projection based on last five years' actuals (redrafted based on revised schedule of financial statements as per Companies Act, 2013 or other relevant statutes) (ii) reference to sectoral as well as industrial growth (iii) forecast of growth outlook for the ensuing year (iv) benchmarking with peer Companies at national and global level (v) targets fixed by Planning Commission/Ministry of Finance. Definitions of the Financial Parameters should be according to those mentioned in Annexure I of these guidelines.
5. **Non-financial Targets:** The non-financial targets should be SMART (Specific, Measurable, Attainable, Results-oriented, Tangible). The targets for non-financial parameters should be independently verifiable by an external agency, wherever applicable. CPSEs should specify the documentary evidence they would rely upon as proof of performance as well as the source/agency of such documentary evidence in the MoU. Internal documents submitted by CPSEs for evaluation of parameters should be certified by the concerned CPSEs' Board level officials. The administrative Ministry concerned is entrusted with the responsibility of ensuring that a complete set of documentary evidence for every parameter, both financial and non-financial is submitted by the CPSE to DPE. Without this DPE would be handicapped in its evaluation of the performance of the CPSEs. This would entail an automatic downgrading by at least one notch from the rating claimed by CPSEs in respect of the parameters for which documentary evidence have not been submitted/ not in proper format to DPE.

6. The total number of parameters, both financial and non-financial, chosen for MoU should not exceed 14 (i.e. 6 from Financial and 8 from Non-Financial categories) for CPSEs adopting Common MoU Assessment Format. The number of parameters for Section 25. sick and loss making, under construction CPSEs should not be more than 16. as far as possible. The Task Force will also ensure that CPSEs lay emphasis on relevant and significant parameters.
7. **Group Targets:** The performances of some CPSEs are inter — dependent because their operations cut across different Ministries/Departments. In such circumstances, MoU targets of the concerned CPSEs should be fixed so that they are jointl and severally responsible for their performance and achievement of the targets. In addition to the regular syndicate meetings, either one joint meeting of the CPSEs may be held. or separate meeting(s) of concerned CPSEs, Railways and/ or Administrative Ministries. DPE and the Convenors of their respective Task Force Syndicates be convened to sort out cross cutting issues.
8. **Revision of Targets:** Once the MoUs are signed. any revision of targets is not permissible. MoU targets are unconditional and non-provisional. However, during performance evaluation of MoU for happenings beyond the control of CPSE. the Task Force on MoU may consider offset and give their recommendations to DPE. Final decision on such cases w ill be taken by High Powered Committee (HPC) on MoU.
9. **Task Force/ Expert Group:** Task Force for MoU is a neutral and independent body of experts that assist the High Power Committee on MoU and Department of Public Enterprises in setting annual MoU targets of CPSEs before the beginning of the financial year and performance evaluation of MoUs after completion of that year. For the year 2014-15. CPSEs have been categorized into 13 syndicate groups. Sick and Loss Making CPSEs will be included in their respective domain related syndicates. Task Force on MoU for each syndicate will have a maximum of 6 members. Two experts groups. one each for finance / accounts and other for non - financial matters have been set up to provide advice to the Task Force for fixing the MoU targets and evaluation thereof. There will be one Chairman for Task Force on MoU. The list of Task Force members, syndicate wise will be available on DPE website <http://www.dpemou.nic.in>.
10. **Meeting of Standing Committee:** Before the negotiation meetings of Task Force on MoU, meetings of the Standing Committee will also be held to discuss issues important/relevant to the MoU exercise.
11. **Participation by Administrative Ministry/CPSEs:** The representative of the administrative Ministry, not below the rank of Joint Secretary, must be present in every negotiation meeting. The CPSE team for the negotiation meetings should be restricted to CMD and Board level functionaries.
12. **Pre-negotiation meeting of Task-Force:** Each Task Force of the syndicate shall hold one or more pre-negotiation meeting(s) well before the start of negotiations to discuss the draft MoUs received from all CPSEs in their syndicate and with the member resource group and DPE representatives. Queries and suggestions for revision of MoU parameters & their, weightage etc., if any, will be sent to the CPSEs/administrative Ministry through DPE. giving a reasonable period for them to respond before the negotiation meeting.
13. **Time-lines:** An advance copy of the draft MoU for 2014-15. including Annexures and a copy of the latest Annual Plan, Annual Budget, Corporate Plan along w ith details specified in MoU guidelines 2014-15, of the CPSE and its Subsidiary companies. should be sent directly to DPE in hard and soft copy by **9th December 2013**. The main copy. after the approval of their Board, should be sent to DPE, Planning Commission and Ministry of Statistics and Programme Implementation through the Administrative Ministry/Department by **20th December 2013**. The approved copies with all

documents/Annexures are to be sent by CPSEs to the Task Force members of the concerned Syndicate Group well in advance before the date of MoU Negotiation Meetings. Submission of copy of MoU signed between CPSE and Administrative Ministry Department and between Subsidiary Company and Apex /Holding CPSE should be done, within the target date of **25th March 2014**.

Timely submission of Performance Evaluation Report for the year 2013-14 on the basis of Audited data (Statutory Audited Accounts) of the CPSE in revised Schedule and documentary evidence in support of achievement of non-financial parameters. to DPE and Task Force Members separately, after approval of the Board of CPSE and through their Administrative Ministry/Department for the year 2013-14 should be done within the target date of 31st August, 2014 and for the year 2014-15 within the target date of 31st August, 2015.

14. CPSEs (Holding as well as Subsidiaries) under the administrative control of the Ministry/ Department may be advised to submit draft MoUs for the year 2014-15 on the basis of the MoU Guidelines, which are also available on DPE website <http://www.dpemou.nic.in>.

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DRAFTING/ EVALUATION OF MOU

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Memorandum of Understanding (MoU) is a negotiated agreement and contract between the Administrative Ministry and the Management of the Central Public Sector Enterprise (CPSE) to fix the targets before the beginning of the financial year and is intended to evaluate the performance of the CPSE after the completion of the Financial Year *vis-a-vis* the target fixed.

1. MISSION, VISION AND OBJECTIVES OF THE CPSE

1.1 MISSION/VISION

Mission/Vision should be a concise statement incorporating the rationale for the existence of the enterprise and its business/activities. The Mission statement should be formulated keeping in view the fresh initiatives being planned or /and under active consideration by the enterprise.

1.2 OBJECTIVES

The objectives should be related to the mission of the enterprise and listed in order of priority as approved by the Board of Directors of the enterprise. These objectives should cover quantitative and qualitative; commercial and non-commercial; and static as well as dynamic aspects of the operations of the enterprise. Efforts should be made to ensure that all the objectives get reflected in the MoU.

2. COMMITMENTS / ASSISTANCE FROM THE GOVERNMENT

2.1 Performance of Central Public Sector Enterprises (CPSEs) is assessed with reference to the commitments made and actual assistance given to CPSEs by Administrative Ministries/Departments. This is to be quantified and a Report along with Performance Evaluation Score Sheet of CPSEs is to be submitted by Administrative Ministries/Departments to DPE which will be reviewed by HPC. Commitments/assistance expected from the Government should be relevant and related to the fulfilment of the agreed performance targets. These obligations should have a direct bearing on the performance of the enterprise, and their effect on the performance should be quantified. The targets based on these Commitments/assistance should not be conditional or provisional. The commitments/assurances in the MoU document should be incorporated appropriately in the Result Framework Documents (RFD) of the concerned administrative Ministry / Department.

2.2 Considering the importance of non-official Directors (NOD's). specific commitment from the administrative ministries/departments regarding timely action on filling up position of Non-official directors on the board of concerned CPSE shall be incorporated in the signed MoUs of the concerned CPSEs, wherever applicable.

3. PERFORMANCE ASSESSMENT TARGETS AND THEIR DETERMINATION

3.1 Performance evaluation is based on the 'Balanced Score Card approach. It includes both "financial" and "non-financial parameters- having equal weights of 50% each. However in the case of "Sick and Loss Making CPSEs"- and -"Section 25 CPSEs". the weights for financial and non-financial parameters are 40% and 60% respectively. In case of CPSEs under construction "Project related parameters- and "Dynamic parameters- shall have weights of 60% and 40% respectively.

3.2 With a view to distinguish 'excellent performance' from 'poor performance'. 5 different performance targets should be fixed in the MoU on a 5 point -scale in the ascending order. that is, (1) 'Excellent', (2) 'Very Good', (3) ' Good'. (4) ' Fair' and (5) ' Poor'.

3.3 The Task Force in consultation with the CPSE and administrative Ministry /Department will fix the Basic Target and levels of difference between Excellent. Very Good. Good and so on.

3.4 Parameters and their weights would be finalised in MoU Negotiation meeting by Task Force syndicates, and the final decision would be with the Convenor.

3.5 CPSE will give information on national/ international benchmarks pertaining to financial/non-financial parameters, as applicable. Task Force will take these benchmarks into consideration while fixing MoU targets.

Financial Targets

3.6 **Definitions of Financial Terms:** All the financial terms should conform to definitions given in Annexure-I.

3.7 CPSE will give a self -certification (Annexure- VII) to the effect that while arriving at the targets of the financial parameters, the definitions and norms laid down in the MoU guidelines of DPE have been strictly and scrupulously followed and no deviations have been made.

3.8 The targets set should be realistic, growth oriented and aspirational. They should be consistent with the Budget for 2014-15 and in conformity with those approved by the Planning Commission, Ministry of Finance, other statutory or regulatory bodies, as applicable. It is observed that some CPSEs under-pitch their projected performance for the coming year to plead their case for soft targets. In such cases, while undertaking the performance evaluation of MoU, DPE Task Force will have the liberty to call upon the CMD of the CPSE to explain reasons for such under pitching and gross over achievements.

3.9 To determine the basic target (BT) for financial parameters. the actual achievement of past 5 years (Annexure-VI) and factors such as capacity and its expansion, business environment, projects under implementation. government policies, external factors and Company's growth forecast should be considered. Further national/international benchmarks will also be considered, wherever applicable. Basic financial targets should be generally determined by projecting an ambitious growth over achievement or targets of the previous year, unless there was a bad performance in the previous year. In cases of bad performance, a realistic, achievable target considering growth on average of the actual performance of last 3 years' could be considered. For CPSEs which have recently started their business, the projection shall be done using the available data.

Non-Financial/Dynamic Targets

3.10 A CPSE can select non-financial parameters which are considered crucial to its functioning and fulfillment of its objectives.in consultation with the administrative Ministry Department However, non-financial targets fixed should be SMART (Specific. Measurable. Attainable. Results-oriented, Tangible), and should be decided a priori at the time of draft 'MoU and during setting of targets. The targets for non-financial parameters should be clearly identifiable and independently verifiable by an external agency. wherever applicable and CPSE should specify the documentary evidence they would rely upon as proof of performance, as well as the source/agency of such documentary evidence. The intention is to ensure strict, transparent and objective evaluation.

3.11 During the deliberations of the MoU negotiation meeting. if the Task Force comes to the conclusion that any of the dynamic parameter(s) as indicated in the MoU Assessment Format is not relevant to a particular CPSE, then the Task Force may evolve new parameters and adjust the balance weight relevant to that parameter according!). Minimization of Audit Qualification may be introduced as a parameter on the discretion of the task force. Further, if the audit report of the CPSEs has observation/ qualification on internal control. Preparation of Internal Control Manual/ 'Implementation of Internal control Procedure in consultation with external agencies' may be introduced as MoU Parameters. For evaluation. the CPSE should include the Audit Qualification with its financial impact if any.

3.12 Sector-specific and Enterprise-specific Parameters

Task Force will identify/evolve suitable sector- specific and enterprise-specific parameters and may alter weights in consultation with the CPSE /Administrative Ministry where it is felt necessary and may also club the parameters together under Non-financial parameters.

3.13 Physical Targets

In addition to the financial performance of the CPSEs. quantifiable physical targets are very significant because they reflect productivity and efficiency of a CPSE. The Task Force will ensure that adequate weightage is assigned to physical targets in MoU of CPSE.

3.14 Capacity Addition

CPSE/ Administrative ministry may select Capacity Addition as parameter based on their mission/ vision statement, business plan and availability of financial resources.

3.15 Project Management & Implementation

Ongoing as well as new projects to be implemented by CPSEs including those monitored by Ministry of Statistics and Programme Implementation should be included in non-financial targets. List of new/ on-going projects to be completed during the year. milestones to be reached for new/ on-going projects that cannot be completed during the year should be specifically mentioned.

3.16 CAPEX

CPSEs are encouraged to make Capital Expenditure and include it as a parameter in MoU. This parameter is included for CPSEs which have accumulated Cash surpluses and there is a need/demand for capacity addition and management considers it as necessary viable.

3.17 Corporate Social Responsibility (CSR) & Sustainability

"Corporate Social Responsibility & Sustainability- included under the 'Non-financial parameters' can be assigned a weightage of upto 3 marks. Guidelines issued by DPE for this purpose should be followed for deciding the parameters under Corporate Social Responsibility & Sustainability.

The Task Force in consultation with the CPSEs during the negotiation meetings will finalize projects/ activities from the list given in the Guidelines issued by DPE.

3.18 Research & Development (R&D)

"Research & Development" a "Non-financial parameter" may be included for CPSEs desirous of taking up R&D projects R&D is not meant as fundamental scientific research (though it is not excluded).It should be linked to improvements in operational efficiencies in all activities, including manufacturing processing product development, packaging, marketing, and even work processes. through innovation, adaption, and application of available and emerging technologies and techniques. The Task Force in discussion with the CPSEs during the negotiation meetings will finalize projects/activities from the list given in the R&D Guidelines issued by DPE.

A panel of renowned scientists and R&D experts will be constituted by DPE comprising of experts from CSIR, DRDO and other eminent experts to conduct audit of R&D Work of CPSEs and to recommend incentives for good work wherever noticed.

3.19 Human Resource Management (HRM)

"Human Resource Management" remains an element under the 'Non-financial parameters-. Relevant Sub-Parameters under HRM should be selected from the HRM guidelines. The Task Force may include parameter of succession planning as a mandatory component under HRM especially for Maharatna and Navratna CPSEs.

3.20 The guidelines for Corporate Social Responsibility (CSR) & Sustainability. Research & Development and Human Resource Management are available on the website of MoU Division of DPE (<http://www.dpemou.nic.in/>)

3.21 Negative Marking for Non-Compliance of Corporate Governance

Department of Public Enterprises has issued guidelines on Corporate Governance vide O.M. No.18(8)/ 2005-GM Dated 14th May 2010. Listed CPSEs will follow both SEBI Guidelines and DPE guidelines while non-listed CPSEs would require to mandatorily follow the DPE Guidelines on Corporate Governance. In the MoU for 2014-15. "Compliance of Corporate Governance" will not be a parameter, however, for non-compliance, negative marking will be imposed and MoU Score will be increased in the following manner:

SI.	Annual Score	Grading	Penalt Marks	Difference in Score From 'Excellent' Grade
01	85 % and Above	Excellent	0	0.00
02	75%-84%	Very Good	0	0.00
03	60%-74%	Good	0.5	0.02
04	50%-59%	Fair	0.5	0.02
05	Below 50%	Poor	1.0	0.04

If a CPSE fails to submit the Self-evaluation report of Corporate Governance through Administrative Ministry, its score will be inflated accordingly.

3.22 Negative Marking for Non-Compliance of other Guideline/Regulations

a) Procurement from MSME

CPSEs will have to follow the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order, issued vide D.O. No. 21(1)/2011-M.A. dated April 25, 2012. and non-compliance with the aforesaid order will be penalized up to 1 mark at the discretion of Task Force at the time of MoU Evaluation.

b) Non-Compliance of DPE Guidelines

CPSEs have to give a certificate regarding implementation of Guidelines issued by DPE within prescribed timelines and format specified through its administrative ministry as per details in OM No. DPE/14(38)/10-Fin Dated 28th June 2011. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark at the discretion of Task Force at the time of MoU Evaluation.

c) Other Non-Compliance

Non-compliance of any directives of government including submission of data for Public Enterprises (PE) survey, MOSPI data updation on their website etc. and non-compliance of requirements of regulators in serious cases may be penalized upto I mark depending on the degree and seriousness of non-compliance. CPSE have to give a certificate regarding compliance of directives of Government and requirement of regulators (Annexure VIII).

4. ENCLOSURES WITH DRAFT MoU

4.1 CPSEs should enclose the Draft MoUs in the relevant format along with all the annexures/documents mentioned in the MoU Guidelines to DPE as well as to Task Force members of the relevant syndicate.

4.2 Key financial indicators of CPSEs relating to last five years along with MoU targets for 2014-15 should be submitted in format enclosed. (Annexure VI)

4.3 MoU Assessment Format for different sectors

All CPSEs (except section 25 companies, sick/ loss making CPSEs and CPSEs under construction) should choose relevant parameters given in common format (Annexure-II) with the approval of the Task Force during negotiation meetings. Section 25 companies, sick/ loss making CPSEs and CPSEs under construction will adopt the formats given at Annexure-III, Annexure-IV and Annexure-V respectively.

4.4 The Summary Records of Discussion (SRD) minutes of the MoU negotiation meetings (2013-14) along with the Action Taken Report (ATR) on the MoU 2013-14 issued by DPE should be annexed with the draft MoU 2014-15.

4.5 CPSEs should submit latest copies of Corporate Plan, Annual Plan, Annual Budget, and Annual Report for 2012-13 and Reviewed Financial results for the period up to September 2013. Similarly, performance up to Quarter ending December 2013 should be made available before/during the negotiation meetings.

5. MoU SIGNING PROCESS

5.1 The revised MoUs based on the minutes of the MoU negotiation meetings should be sent by all CPSEs (Holding as well as Subsidiary Companies) through administrative Ministries/Departments for authentication by DPE before signing of the MoUs.

5.2 **Timely signing of MoU for the year 2014-15:** Submission of copy of MoU signed between CPSE and Administrative Ministry/ Department and between Subsidiary Company and Apex /Holding CPSE should be done, within the target date of 25th March 2014.

6. MOU EVALUATION

6.1 Evaluation of MoU of the CPSE is done at the end of the year on the basis of actual achievements vis-à-vis the MoU targets. CPSEs (Holding as well as Subsidiaries) are required to submit performance evaluation reports for the year 2013-14 on the basis of audited data to Department of Public Enterprises and the Task Force members of the Syndicate Group, after approval of the Board of CPSE and through the administrative Ministries/Departments within the target date of 31st August, 2014. CPSEs should submit the documentary evidence as proof of performance as the source/agency provided in the MoU. Internal documents submitted by CPSEs for evaluation of parameters should be certified by the concerned CPSEs' Board level officials.

6.2 After completing the evaluation of the performance of the MoU signing CPSEs with the assistance and expertise of the Task Force, DPE submits the results of MoU Composite score and rating of CPSEs to the High Power Committee on MoU headed by the Cabinet Secretary for its approval. Once the High Power Committee approves the evaluation done by the Task Force, the composite score and the ratings of the CPSEs become final.

6.3 Timely submission of Performance Evaluation Report for the year 2013-14 on the basis of Audited data (Statutory Audited Accounts) of the CPSE in revised Schedule and documentary evidence in support of achievement of non-financial parameters, to DPE and Task Force Members separately, after approval of the Board of CPSE and through their Administrative Ministry/Department for the year 2013-14 should be done within the target date of 31st August, 2014 and for the year 2014-15 within the target date of 31st August, 2015.

6.4 **Raw Score:** Raw Score reflects the 'actual performance in relation to the 5- point scale of MoU targets. If actual performance is equal to or more than the -Excellent" target (1), raw score would be 1.00. If actual performance is equal to or less than the -Poor" target (5), raw score would be 5.00. If actual performance falls in between -Excellent" (1) and "Very Good" (2), in that case raw score would be $1 + (\text{Excellent}-\text{Actual}) \div (\text{Excellent}-\text{Very Good})$ and so on.

6.5 **Composite Score and Rating:** Composite score is an index of the performance of the CPSE which is calculated as the aggregate of all the weighted score of "the actual achievements" vis-à-vis -the targets" set on a 5-point scale.

The system of grading of CPSEs on the basis of MoU Composite Score is as follow s:	
MoU Composite Score	Rating
1.00— 1.50	Excellent
1.51 —2.50	Very Good
2.51 — 3.50	Good
3.51 —4.50	Fair
4.51 - 5.00	Poor
<p>7. <u>MOU EXCELLENCE AWARDS</u></p> <p>7.1 The total number of MoU Excellence Awards are 12 (1 from each of the 10 Syndicate groups, 1 from the listed CPSEs. I from amongst the sick/loss making CPSE on wa to turnaround). All other 'Excellent' performing CPSEs get MoU Excellence certificates.</p> <p>7.2 DPE vide O.M. No. 3(13)/2006-DPE(M0U) date 20th August 2007 has issued the procedure for evaluation of MoU performance and principles for selection of 10 Excellent Awardees from each Syndicate, and Vide O.M. No. 3(29)/2007-DPE(MoU) dated 7th January 2008 and O.M. No. 3/(29)/2007-DPE(MoU) dated 11.11.2013 has issued the methodology to be adopted for the selection of "best listed"- and "sick/loss making CPSE on way to turnaround" for Excellence Awards.</p> <p>8. <u>LIST OF ANNEXURES</u></p> <p>Annexure-I: Definitions of Financial Parameters</p> <p>Annexure-II: MoU Assessment Format for CPSEs other than "Section 25 CPSEs". "Sick & Loss making CPSEs" and -CPSEs under Construction"</p> <p>Annexure-III: MoU Assessment Format for Section 25 CPSEs</p> <p>Annexure-IV: MoU Assessment Format for Sick & Loss making CPSEs</p> <p>Annexure-V: MoU Assessment Format for CPSEs under Construction</p> <p>Annexure-VI: Trend of CPSE's Performance on Financial Parameters for last 5 Years</p> <p>Annexure—VII: Self-declaration/Certification by CPSE</p> <p>Annexure-VIII: Self-declaration for compliance of directives of Government & Regulators</p>	
<p style="text-align: right;">ANNEXURE-I</p> <p>Definitions of Financial and Accounting Terms</p> <p>1. Sales Turnover:- 'Sales Turnover' may be defined as the gross inflow of cash. receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods and from rendering of services. It is measured by the charges made to customers or clients for goods supplied and services rendered to them. In an agency relationship, it is the amount of commission and not the gross inflow of cash. receivables or other consideration. In case of contractors, the amount of contract revenue recognized as revenue in the statement of profit and loss as per the requirements of AS 7 (revised 2002), should be considered as 'Sales Turnover'.</p>	

It may further be noted that the term 'Sales Turnover' does not include amounts collected by the company on behalf of others such as sales tax, value added tax etc. but includes elements of excise duty. Further, inter-divisional transfers, would also not form part of sales turnover.

Note: For the purpose of deciding Memorandum of Understanding (MoU) target under 'sales turnover' parameter for the purpose of Department of Public Enterprises (DPE). it shall not include excise duty.

2. **Gross Operating Margin:-** 'Gross Operating Margin' is the excess of the proceeds of goods sold and services rendered during a period over their cost, before taking into account administration, selling, distribution, financing expenses and taxes. When the result of this computation is negative it is referred to as 'gross loss. It will not include 'other incomes'.

3. **Gross Operating Margin Rate:-** Gross Operating Margin as a percentage of Sales Turnover.

4. **Profit after Tax (PAT):-** The excess of total revenues over total expenses including depreciation and amortisation, interest, extraordinary items, prior period items and taxes (including deferred taxes).

5. **EBITDA:-** EBITDA is the excess of total revenues over total expenses for a period before providing for depreciation and amortisation. interest on borrowings. taxes (including deferred taxes), extraordinary and prior period items.

6. **Earnings Before Interest Tax (EBIT):-** Excess of total revenues over total expenses before providing for interest, taxes (including deferred taxes) extraordinary items and prior period items.

7. **Cash generation from Operations:-** Cash flows from operations is primarily derived from the principal revenue producing activities of the enterprise. As per the principles laid down in the *Accounting Standard (AS) 3, Cash Flow Statements*, operating cash flows may be calculated by adjusting profit after tax (PAT) for the effects of:

- (i) changes during the period in inventories and operating receivables and payables:
- (ii) non-cash items such as depreciation, provisions, deferred taxes, and unrealised foreign exchange gains and losses; and
- (iii) all other items for which the cash effects are investing or financing cash flows.

8. **Gross Block:-** 'Gross Block' of fixed assets represents historical cost or other amount substituted for historical cost (i.e. revalued amounts) in the books of account or financial statements.

9. **Depreciation** is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortisation of intangible assets whose useful life is predetermined.

10. **Net Block:-** Gross Block shown net of accumulated depreciation and impairment loss, is termed as Net Block'.

11. **Share Capital:-** Paid up capital is the aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise.

12. **Reserves & Surplus:-**

Reserve: The portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation

or diminution in the value of assets or for a known liability. The reserves are primarily of two types: capital reserves and revenue reserves.

Surplus: Surplus i.e. balance in the Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to from reserves etc.

13. **Net Worth:-** Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

14. **Inventories are assets:**

- i) held for sale in the ordinary course of business
- ii) in the process of production for such sale;
- iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services

15. **Capital Employed:-** Capital employed shall comprise of net worth and long term borrowings but excluding Capital Work-in-Progress (CWIP) and all investments made.

16. **Extraordinary Items** are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

17. **Prior Period Items** are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods

18. **Working Capital:-** The funds available for conducting day-to-day operations of an enterprise and represented by the excess of current assets over current liabilities.

19. **Trade Receivables:-** Dues arising only from goods sold or services rendered in the normal course of business.

20. **Average Capital Employed:-** Average of the opening and closing capital employed for a period of time.

$$\text{Average Capital Employed} = (\text{Opening Capital Employed} + \text{Closing Capital Employed}) / 2$$

21. **Cost of Production/Conversion Cost:-** Cost incurred to convert raw materials or components into finished or semi-finished products. This normally includes costs which are specifically attributable to production, i.e., direct labour, direct expenses and subcontracted work, and production overheads as applicable in accordance with the absorption costing method. Production overheads exclude expenses which relate to general administration, finance, selling and distribution.

22. **Current Ratio:** It is the ratio of current assets to current liabilities.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

23. **Debt Service Coverage Ratio:-** The ratio of Earning before Interest and Taxes (EBIT) to interest on long-term liabilities.

24. Average No. of Days of Inventory:-

Average No. of Days of Inventory = $365 / \text{Inventory Turnover Ratio}$.

Where, Inventory Turnover Ratio = $\text{Cost of goods sold} / \text{Average Inventory}$.

Cost of goods sold in manufacturing operations includes (i) cost of materials: (ii) labour and (iii) factory overheads; Selling and administrative expenses are excluded.

Average inventory = $(\text{Opening Inventories} + \text{Closing Inventories}) / 2$.

Note: In cases where, the opening balance of inventory is nil, closing balance may be used to compute inventory turnover.

25. Average Collection Period of Trade Receivables:-

Average Collection Period of Trade Receivables = $365 * \text{Average Trade Receivables} / \text{Net Credit Sales}$

Where, Average Trade Receivables = $(\text{Opening Trade Receivables} + \text{Closing Trade Receivables}) / 2$

Note: In cases where, the opening balance of trade receivables is nil, closing balance may be used to compute trade receivables period.

26. Working Capital Turnover Ratio:-

Working Capital Turnover = $\text{Sales Turnover} / \text{Working Capital}$

27. Current Assets: An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months after the reporting date: or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

28. Current Liabilities:- A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months after the reporting date: or
- (d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. 'renns of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

ANNEXURE-II								
MoU Assessment Forat (Common for all CPSEs excluding Section 25 CPSEs, Sick & Loss Making CPSEs and CPSEs Under Construction)								
Evaluation Criteria	Unit	Weight (in %)	Excellent (1)	V. Good (2)	MoU Target Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
1. Static/Financial Parmeters								
Mandatory parameters (sr no (i)-(iii))								
(i) Growth/Size/Activity (Two)		18-24						
a) Sales Turnover, excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, tax, etc.)	Rs.Cr.							
b) Gross Operating Margin or Gross Operating Margin Rate	Rs.Cr. %							
c) Loans sanctioned	Rs.Cr.							
d) Disbursements	Rs.Cr.							
(ii) Profitability		10-12						
a) PAT/Net Worth	%							
b) EBITDA/Net Block	%							
c) EBIT/Average Capital Employed	%							
(iii) Costs and Output Efficiency		8-10						
a) Sales Turnover/Net Block	%							
b) PAT per Employee	Rs. Lakh							
Optional Parameters (sr no (iv) & (V))								
(iv) Liquidity/Leverage		8-10						
a) Current Ratio	Ratio							
b) Debt Service Coverage Ratio	Ratio							
(v) Efficiency of Asset Use		6-8						
a) Average No. Days of Inventory (Inventory Turnover Ratio)	No. of Days							
b) Average Collection Period of Trade Receivables (Debtors Turnover Ratio)	No. of Days							
c) NPA/Loan Assets	%							
d) Average cost of funds	Rate							
Or								
Interest rate spread	Rate							
Sub-total 1 (I to V)		50						
Note: CPSEs may choose upto 6 financial ratios in total (from mandatory as well as optional group). Two ratios from sr no (i) are compulsory and CPSE would have to choose minimum two ratios from the remaining two mandatory groups. Task Force in consultation with CPSEs & administrative ministry may change the ratios and their weightage (within 50) after recording the reasons for the same.								

Evaluation Criteria	Unit	Weight (in %)	Excellent (1)	V. Good (2)	MoU Target Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
2.Dynamic/non-financial Parameters								
(i) <i>Corporate Social Responsibility & Sustainability</i>		Upto 3						
(ii) <i>Research & Development</i>		2						
(iii) <i>Initiatives for Growth</i>		10-15						
(a) Physical targets/output								
or								
No. of new orders/projects								
(b) Corporate/strategic plan— preparation/determination/ identification of objectives/goals								
(c) Expansion/diversification/ acquisitions/joint ventures								
(d) Brand building/Marketing initiatives/new products/new markets								
(e) Import substitution/exports/ globalisation of operations								
(f) Risk identification and mitigation								
(iv) <i>Project Management & Implementation</i>		10-15						
(a) Capacity Addition								
(b) Number of new/on-going projects to be completed during the year								
(c) Milestones to be reached for new/ on-going projects that cannot be completed during the year.								
(d) CAPEX (Targets in financial Terms to be achieved in financial year out of CWIP/Assets under construction.)								
(v) <i>Productivity and Internal Processes</i>		7-10						
(a) Asset/machine/Facility Utilisation/Downtime								
(b) Product manufacture/Product Cycle Time								
(c) Measures taken to increase efficiency and productivity of manpower/resources								

Evaluation Criteria	Unit	Weight (in %)	Excellent (1)	V. Good (2)	MoU Target Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
(d) Benchmarking and fixation of targets to achieve the goals against benchmarking								
(e) Market Share								
(f) Customer satisfaction and redress of customer grievances								
(g) Customer Focus - Customer Satisfaction Index and complaints per unit of sales								
(vi) Technology, Quality, Innovative practices		5-10						
(a) New Technologies/improving existing ones/other innovative practices								
(b) Intellectual property—patents, trade-marks, copyrights								
(c) Quality Management—methods like TQM, six Sigma and ISO, Baldrige Performance Excellence Criteria, etc.								
(d) Safety Management—Safety incidents Index, reportable incidents								
(e) Cyber Security-developing/ setting up security systems; monitoring and detection of cyber security breaches								
(vii) Human Resource Management		Upto8						
3. Sector Specific Parameter/ Enterprise Specific Parameter		Upto5						
Sub-total (2+3)		50						
Total (1+2+3)		100						
<p>CPSE may choose upto 8 parameters from Dynamic/non-financial Parameters, CPSEs cannot choose more than two parameters from each group. Task Force may change/modify the parameters and their weightage after consultation with the CPSE and administrative Ministry/Department providing reasons for the same, in such a way that the total weightage of non-financial parameter does not exceed 50. Parameters of CSR & sustainability, R&D and HRM are to be chosen in accordance with respective DPE guidelines and OM issued in this respect.</p> <p>Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.</p>								

Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.

ANNEXURE-III

MoU Assessment Format for 'CPSEs registered under Sec. 25 of the Companies Act, 1956'

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent	V. Good	Good	Fair	Poor	
			(1)	(2)	(3)	(4)	(5)	
1. Static/Financial Parameters								
(i) EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)	Rs. Cr.	10						
(ii) Disbursements	Rs. Cr.	12						
(iii) % of total resources mobilized from sources other than grant in aid of Government	%	04						
(iv) EBITDA/Total employment	Rs. Lakh	05						
(v) Recoveries as a % of amount due (current year)	%	04						
(vi) Recoveries as a % of amount overdue for varying years (accumulated)	%	05						
Sub-total 1 (i to vi)		40						
2. Dynamic Parameters								
(i) No. of Beneficiaries assisted during the year	No.							
(ii) No. of beneficiaries got assisted under schemes of other Government Departments or established institutions	No.							
(iii) % age of beneficiaries inspected during the year	% age							
(iv) % age of beneficiaries found inspection to have possessed the assets created	% age	30-35						
(v) % age of assisted beneficiaries found during inspection to have crossed poverty line	% age							
(vi) No of target group provided Entrepreneurship Development/ skill development programme that help them to secure employment	No.							
(vii) Parnership with Vocational institutes to train beneficiaries	No.							
(viii) Parnership with Government departments/established institutions	No.	20-25						

Evaluation Criteria	Unit	Weight (in %)	Excellent (1)	V. Good (2)	MoU Target Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
to leverage the corporation's objectives/ schemes								
(ix) Strategic plan-preparation/ implementation	Timeline							
(x) % age Reduction in Non-performing assets-year wise break up	% age							
(xi) R&D (refer para 4.3.9 of R&D guidelines)								
(xii) Human Resource Management		upto 5						
3. Sector Specific Parameter/ Enterprise Specific Parameter		upto 5						
Sub-total (2+3)		60						
Total (1+2+3)		100						
<p>Task Force may change/modify the parameters and the allocation of weightage of dynamic parameter selected by CPSEs such that total does not exceed 60, in consultation with the CPSE and administrative Ministry/Department.</p> <p>Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.</p>								

MoU Assessment Format for 'Sick and Loss making CPSEs'

Evaluation Criteria	Unit	Weight (in %)	Excellent (1)	V. Good (2)	MoU Target Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
1. Static/Financial Parameters								
(i) Sales Turnover, excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty, tax, etc.)	Rs. Cr.	8						
(ii) Gross Operating Margin	Rs. Cr.	8						
Or								
Gross Operating Margin Rate	%							
(iii) Net Profit (PAT)	Rs. Cr.	5						
(iv) Net Worth	Rs. Cr.	5						
(v) Cash Generation from Operations	Rs. Cr.	5						
(vi) Working Capital Turnover Ratio	Ratio	3						
(vii) Average No. Days of Inventory (or, Inventory Turnover Ratio)	Days/ Ratio	3						
(viii) Average Collection Period of Trade Receivables, (or, Debtors Turnover Ratio)	Days/ Ratio	3						
Sub-total 1 (i to viii)		40						
2. Dynamic Parameters								
(i) Physical targets/output or No. of new orders/projects								
(ii) Customer Satisfaction								
(iii) Project Implementation		30-45						
(iv) Technology Up-gradation								
(v) Perparation/Implmentation (as the case may be) of the Business/ Revival plan								
(vi) Generation of funds from non-performing assests								
(vii) Revenue Generation from Resources Available with the Company								
(viii) Human Resource Management-HRM								
(ix) R&D-Quality improvement, energy efficiency, cost reduction, development of new products, improvement in product & processes (refer para 4.3.9 of R& D guidelines)		25-45						
(x) CSR and Substainability								
3. Sector Specific parameter/Enterprise Specific parameter		upto 5						
Sub-total (2+3)		60						
Total (1+2+3)		100						
Task Force may change/modify the parameters and the allocation of weightage of dynamic parameter selected by CPSEs such that total does not exceed 60, in consultation with the CPSE and administrative Ministry/Department.								
Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the draft MoU itself.								

ANNEXURE-V								
MoU Assessment Format for CPSEs Under Construction								
Evaluation Criteria	Unit	Weight (in %)	Excellent (1)	V. Good (2)	MoU Target Good (3)	Fair (4)	Poor (5)	Documentary evidence and source/origin of documents
1. Project Related Parameters								
(i) Physical Achievement	(%)							
(ii) Financial Achievement	Rs. Cr.							
(iii) Regulatory Clearances								
(iv) Project Implementation								
Sub-Total (i to iv)		60						
2. Dynamic Parameters								
(i) Corporate Plan/Vision		40						
(ii) Corporate Social Responsibility & Sustainability								
(iii) Human Resource Management- HRM								
(iv) Research & Development								
Sub-Total (i to v)								
3. Sector Specific Variables/ Enterprise Specific Variables								
Total (1+2+3)		100						
Task Force may change/modify the financial & non-financial parameters after consultation with the CPSE and administrative Ministry/Departt and after recording reasons for same, in such a way that the total weightage of financial & non-financial parameter does not exceed 60 & 40 respectively.								
Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.								

ANNEXURE VI

(Rs. in Crore)

TREND OF CPSE's PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FIVE YEARS

Particulars	2009-10 MoU Act- ual	2010-11 MoU Act- ual	2011-12 MoU Act- ual	2012-13 MoU Act- ual	2013-14 MoU Projected for 31.3.14	2014-15 Projec- ted	Latest Bench- marking Details available
Capacity Utilisation (for each plant separately)							
Production (in Qty.)							
Production (in Rs. Cr.)							
Profit & Loss Statement Items							
Sales Turnover, excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty, tax, etc.)							
Interest and other income							
Gross Operating Margin Rate (%)							
Gross Operating Margin							
EDITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)							
Depreciation							
EBIT (Earnings Before Interest and Taxes)							
Interest Expenses							
Prior period Expenses							
Extra Ordinary Items							
Any other expenses							
Profit Before Tax							
Tax							
Profit after tax							
Dividend Paid							
Profit transferred to Statutory reserves							
Any Other Item							
Profit Transferred to Balance Sheet							

articulars	2009-10 MoU Act- ual	2010-11 MoU Act- ual	2011-12 MoU Act- ual	2012-13 MoU Act- ual	2013-14 MoU Projected for 31.3.14	2014-15 Projec- ted	Latest Bench- marking Details available
Balance Sheet Items							
Gross Block							
Less: depreciation'							
Net Block							
Share Capital of CPSE							
Reserves & Surplus of CPSE							
Less : deferred revenue exp./ pre-acquisition loss							
Less: Profit & Loss A/c (Loss figure)							
Net worth of CPSE							
Investments							
Total Current assets							
Total current liabilities & provision							
Net current assets							
Capital employed (Net block + net current assets)							
Total long-term debt (loan funds)							
Total Assets							
No of employees of CPSE							
Ratios							
PAT/Net Worth							
EBITDA/Net Block							
EBIT/Average Capital Employed							
PAT per Employee (Rs. Lakhs)							
Current Ratio							
Debt Service Coverage Ratio							
Operating Cash Flow							
Average No. Days of Inventory							
Inventory turnover Ratio							
Average Collection Period of Trade Receivables							
Debtors Turnover Ratio							
Loans sanctioned							
Disbursements							
NPA/Loan Assets							
Average cost of Funds							

Particulars	2009-10 MoU Act- ual	2010-11 MoU Act- ual	2011-12 MoU Act- ual	2012-13 MoU Act- ual	2013-14 MoU Projected for 31.3.14	2014-15 Projec- ted	Latest Bench- marking Details available
Additional for 'CPSEs registered under Sec. 25 of the Companies Act, 1956' Disbursements % of total resources mobilized from sources other than grant in aid of Government EBITDA / Total employment Recoveries as a % of amount due (current year) Recoveries as a % of amount overdue for varying years (accumulated) Additional for 'Sick and Loss making CPSEs' Cash Generation from Operations Working Capital Turnover Ratio Additional for 'CPSEs under Construction' Physical Achievement Financial Financial Achievement							
CPSEs should provide all the information as mentioned above, wherever applicable to them.							

ANNEXURE - VII

Self-declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2014-15. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per MoU Guidelines, CPSE has no right of claim in this regard.

Authorised Signatory

ANNEXURE-VIII

Self-declaration for Compliance of Directives of Government & Regulators

It is hereby certified that the CPSE has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPEs free to evaluate as per Guidelines, directives issued by the government/regulators. CPSE has no right of claim in this regard.

Authorised Signatory

(DPE OM No. 3(19)/2013-DPE(MoU) dated 11.11.2013)

Guidance Note on the Revised Schedule VI to the Companies Act, 1956

Para 13: Although the items of income and expense described in a paragraph 12 are not extraordinary items, the nature and amount of such items may be relevant to users of Financial Statements in understanding the financial position and performance of an enterprise and in making projections about financial position and performance. Disclosure of such information is sometimes made in the notes to the Financial Statements.

Para 14: Circumstances which may give rise to the separate disclosure of items of income and expense in accordance with paragraph 12 include: the write-down of inventories to net realizable value as well as the reversal of such write-downs; a restructuring of the activities of an enterprise and the reversal of any provisions for the costs of restructuring:'

- disposal of items of fixed assets;
- disposals of long-term investments;
- legislative changes having retrospective application;
- litigation settlements; and
- other reversals of provisions.

In case the company has more than one such item of income/expense of the above nature, the aggregate of such items should be disclosed on the face of the Statement of Profit and Loss. Details of the all individual items should be disclosed in the Notes. [Note 5(i) (k) to the General Instructions for preparation of the Statement of Profit and Loss]

9.7 Extraordinary items

The term 'Extraordinary items' is not defined in Revised Schedule VI.

However, As 5 "Net Profit or Loss the period, Prior period items and changes in Accounting Policies" at para 4.2 defines 'extraordinary items' as:

'Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. Further para 8 of AS-5 discusses about the disclosure of extraordinary items as below:

Extraordinary items should be disclosed in the Statement of Profit and Loss as a part of net profit or loss for the period. The nature and the amount of each extraordinary item should be separately disclosed in the Statement of Profit and Loss in a manner that its impact on current profit or loss can be perceived."

In case the company has more than one such item of income/expense of the above nature, the aggregate of such items should be disclosed on the

4. **Guidelines for Memorandum of Understanding (MoU) for the year 2015-16.**

Please find attached herewith a copy of the Guidelines for drafting of MoU for the Financial Year 2015-16. These guidelines are also available on DPE website <http://www.dpemou.nic.in>.

2. CPSEs (Holding as well as Subsidiaries) may be advised to draft MoU for the year 2015-16 on the basis of the said Guidelines.

3. An advance copy of the draft MoU for 2015-16, including Annexures and a copy of the latest Annual Plan, Annual Budget, Corporate Plan along with details specified in MoU guidelines 2015-16, of the CPSE and its Subsidiary companies, may be uploaded in RFMS alongwith hard and soft copy to be sent directly to DPE latest by 1st December 2014. The main copy, after the approval of the Board, can be sent to DPE, Planning Commission and Ministry of Statistics and Programme Implementation through the Administrative Ministry/Department after uploading the same in RFMS latest by the 19th December 2014. The approved copies with all documents/Annexures are to be sent by CPSEs to the Task Force members of the concerned Syndicate Group well in advance before the date of MoU Negotiation Meetings.

SECRET

Guidelines for Memorandum of Understanding (MoU) for the year 2015-16

1. **Applicability:** All CPSEs (Holding as well as Subsidiaries), without exception, are required to sign MoUs. The Apex/Holding companies will sign MoUs with their administrative Ministries/ Departments, while the Subsidiary companies will sign MoUs with their respective Apex /Holding companies on lines similar to that of the MoU signed between a CPSE and its administrative Ministry/Department.

2. **Exemption from MoU:** In respect of CPSEs, which are closed/not in operation, merged, wound up, shell companies or are sick and on the verge of being closed or merged with no revival package in sight, the administrative Ministry shall send the proposal with its recommendations to DPE by 20th December, 2014.

3. **Guiding Principles for setting targets:** MoU targets should be realistic yet growth oriented inspirational and consistent with the proposed Annual Plan, Budget and Corporate Plan of the CPSE and Results Framework Document (RFD) of the Ministry/Department. It should be fixed keeping in consideration the targets/goals indicated in the Plan document or during annual plan discussions and as per allocations approved by Ministry of Finance. Directions by statutory or regulatory bodies, as applicable should also be factored in. Targets should be the maximum achievable under the given and anticipated circumstances. The financial information disclosed to potential investors in IPO/FPO documents and interest of the shareholders should also be kept in mind

4. **Financial Targets (Static parameters):** The basic targets of relevant financial parameters should be determined on the basis of (i) projection based on last five years' actuals (redrafted based on revised schedule of financial statements as per Companies Act, 2013 or other relevant statutes) (ii) reference to sectoral as well as industrial growth (iii) forecast of growth outlook for the ensuing year (iv) benchmarking with peer Companies at national and global level (v) targets fixed by Planning Commission/Ministry of Finance. Definitions of the Financial Parameters should be according to those mentioned in **Annexure-I** of these guidelines.

5. **Non-financial Targets:** The non-financial targets should be SMART (Specific, Measurable, Attainable, Results-oriented, Tangible). The targets for non-financial parameters should be independently verifiable by an external agency, wherever applicable. CPSEs should specify the documentary evidence they would rely upon as proof of performance as well as the source/agency of such documentary evidence in the MoU. Internal documents submitted by CPSEs for evaluation of parameters should be certified by the concerned CPSEs' Board level officials. The administrative Ministry concerned is entrusted with the responsibility of ensuring

that a complete set of documentary evidence for every parameter, both financial and non-financial is submitted by the CPSE to DPE. Without this DPE would be handicapped in its evaluation of the performance of the CPSEs. This would entail an automatic downgrading by at least one grade from the rating claimed by CPSEs in respect of the parameters for which documentary evidence has not been submitted or is not in proper format, to DPE.

6. The total number of parameters, including financial ratios and Dynamic/Non-financial parameters should not exceed 14 for CPSEs adopting Common MoU Assessment Format. *Under the eight categories of Non-Financial parameters, the sub-parameters should preferably not be more than 2-3 to enable focus on objective outcomes rather than process oriented activities.* The number of parameters for Section 25, sick and loss making, under construction CPSEs should not be more than 16, as far as possible. The emphasis shall be on relevant and significant parameters.

7. **Group Targets:** The performances of some CPSEs are inter – dependent because their operations cut across different Ministries/Departments. In such circumstances, MoU targets of the concerned CPSEs should be fixed so that they are jointly and severally responsible for their performance and achievement of the targets. In addition to the regular syndicate meetings, either one joint meeting of the CPSEs may be held, or separate meeting(s) of concerned CPSEs, Railways and/ or Administrative Ministries, DPE and the Convenors of their respective Task Force Syndicates be convened to sort out cross cutting issues.

8. **Revision of Targets:** Once the MoUs are signed, any revision of targets is not permissible. MoU targets are unconditional and non-provisional. However, during performance evaluation of MoU for happenings beyond the control of CPSE, the Task Force on MoU may consider offset and give their recommendations to DPE. Final decision on such cases will be taken by High Powered Committee (HPC) on MoU.

9. **Task Force/ Expert Group:** Task Force for MoU is a neutral and independent body of experts that assist the High Power Committee on MoU and Department of Public Enterprises in setting annual MoU targets of CPSEs before the beginning of the financial year and performance evaluation of MoUs after completion of that year. For the year 2015-16, CPSEs have been categorized into 12 syndicate groups. Sick and Loss Making CPSEs will be included in their respective domain related syndicates. Task Force on MoU for each syndicate will have a maximum of 6 members. Two groups of experts, one each for finance / accounts and other for non - financial matters have been set up to provide advice to the Task Force. There will be one Chairman for Task Force on MoU. The list of Task Force members, syndicate wise will be available on DPE website <http://www.dpemou.nic.in>.

10. **Meeting of Standing Committee:** DPE, vide OM no.3/10/2013-DPE(MoU), dated 10th September, 2013 has constituted a Standing Committee comprising of Joint Secretary of Administrative Ministry dealing with the CPSE , Advisor (Planning Commission) concerned with the domain of CPSE, Joint Secretary (MoU), Advisor-DPE, Director (MoU) and representative from MoSPI to examine the MoU targets in detail in respect of each CPSE. Before the negotiation meetings of Task Force on MoU, meetings of the Standing Committee will also be held to discuss issues important/relevant to the MoU exercise.

11. **Participation by Administrative Ministry/CPSEs:** The representative of the administrative Ministry, not below the rank of Joint Secretary, must be present in every negotiation meeting. *However, for Maharatna CPSEs the negotiation exercise should preferably be led by the Secretary of the concerned Administrative Department considering the scale and importance of their operations.* The CPSE team for the negotiation meetings should be restricted to CMD and Board level functionaries.

12. **Pre-negotiation meeting of Task-Force:** Each Task Force of the syndicate shall hold one or more pre-negotiation meeting(s) well before the start of negotiations to discuss the draft MoUs received from all CPSEs in their syndicate and DPE representatives. Queries and suggestions for revision of MoU parameters & their,

weightage etc., if any, will be sent to the CPSEs/administrative Ministry through DPE, giving a reasonable period for them to respond before the negotiation meeting. Member Resource Group (MRG) will assist in this exercise.

13. **Time-lines:** An advance copy of the draft MoU for 2015-16, including Annexures and a copy of the latest annual Plan, Annual Budget, Corporate Plan and Annual Report along with other documents as specified in MoU guidelines 2015-16, of the CPSE and its Subsidiary companies, should be sent directly to DPE in hard and soft copy by **1st December, 2014**. *This should also be submitted through the online RFMS system.* The main copy of the MoU, after the approval of Administrative Ministry should be sent to DPE, Planning Commission and Ministry of Statistics and Programme Implementation through the Administrative Department by **19th December 2014**. *This should also be fed in the online RFMS MoU system.* The approved copies with all documents/Annexures are to be sent by CPSEs to the Task Force members of the concerned Syndicate Group well in advance before the date of MoU Negotiation Meetings.

Submission of copy of MoU signed between CPSE and Administrative Ministry/ Department and between Subsidiary Company and Apex /Holding CPSE should be done, within the target date of **25th March 2015**.

Timely submission of Performance Evaluation Report for the year 2014-15 on the basis of Audited data (Statutory Audited Accounts) of the CPSE in revised Schedule and documentary evidence in support of achievement of non-financial parameters, to DPE and Task Force Members separately, after approval of the Board of CPSE and through their Administrative Ministry/Department for the year 2014-15 should be submitted to DPE (and through the online RFMS MoU system) within the target date of 31st August, 2015 and for the year 2015-16 within the target date of 31st August,

14. CPSEs (Holding as well as Subsidiaries) under the administrative control of the Ministry/Department may be advised to submit draft MoUs for the year 2015-16 on the basis of the MoU Guidelines, which are also available on DPE website <http://www.dpemou.nic.in>.

SECRET

Memorandum of Understanding (MoU) is a negotiated agreement and contract between the Administrative Ministry and the Management of the Central Public Sector Enterprise (CPSE) to fix the targets before the beginning of the financial year and is intended to evaluate the performance of the CPSE after the completion of the Financial Year vis-à-vis the targets fixed.

1. MISSION, VISION AND OBJECTIVES OF THE CPSE

1.1 MISSION/VISION

Mission/Vision should be a concise statement incorporating the rationale for the existence of the enterprise and its business/activities. The Mission statement should be formulated keeping in view the fresh initiatives being planned or /and under active consideration by the enterprise. The Mission/Vision should be preferably not be changed every year.

1.2 OBJECTIVES

The objectives should be related to the mission of the enterprise and listed in order of priority as approved by the Board of Directors of the enterprise. These objectives should cover quantitative and qualitative; commercial and non-commercial; and static as well as dynamic aspects of the operations of the enterprise. Efforts should be made to ensure that all the objectives get reflected in the MoU.

2. COMMITMENTS/ASSISTANCE FROM THE GOVERNMENT

2.1 Performance of Central Public Sector Enterprises (CPSEs) is assessed with reference to the commitments made and actual assistance given to CPSEs by Administrative Ministries/Departments. This is to be quantified and a Report along with Performance Evaluation Score Sheet of CPSEs is to be submitted by Administrative Ministries/Departments to DPE (including through the online RFMS MoU system) which will be reviewed by HPC. Commitments/assistance expected from the Government should be relevant and related to the fulfilment of the agreed performance targets. These obligations should have a direct bearing on the performance of the enterprise, and their effect on the performance should be quantified. The targets based on these Commitments/assistance should not be conditional or provisional. The commitments/assurances will be incorporated appropriately in the Result Framework Documents (RFD) of the concerned administrative Ministry/Department.

2.2 Considering the importance of Independent Directors specific commitment from the administrative ministries/departments regarding timely action on filling up position of Independent directors on the board of concerned CPSE shall be incorporated in the signed MoUs of the concerned CPSEs, wherever applicable.

3. PERFORMANCE ASSESSMENT TARGETS AND THEIR DETERMINATION

3.1 Performance evaluation is based on the 'Balanced Score Card' approach. It includes both "financial" and "non-financial parameters" having equal weights of 50% each. However, in the case of "Sick and Loss Making CPSEs", "Section 25 CPSEs" the weights for financial and non-financial parameters shall be 40% and 60% respectively. In case of CPSEs under construction "Project related parameters" and "Dynamic parameters" shall have weights of 60% and 40% respectively.

3.2 With a view to distinguish 'excellent performance' from 'poor performance', 5 different performance targets should be fixed in the MoU on a 5 point - scale that is, (1) 'Excellent', (2) 'Very Good', (3) 'Good', (4) 'Fair' and (5) 'Poor'.

3.3 The Task Force in consultation with the CPSE and administrative Ministry/Department will fix the Basic Target and levels of difference between Excellent, Very Good, Good and so on.

3.4 Parameters and their weights would be finalised in MoU Negotiation meeting by Task Force syndicates, and the final decision would be with the Convenor.

3.5 CPSE will give information on national/ international benchmarks pertaining to financial/ non-financial parameters, as applicable. *The Ministry/Department shall also give a background note on the performance of the sector as well as CPSE alongwith applicable benchmarks while sending the MoU 2015-16.* Task Force will take this information including the benchmarks into consideration while fixing MoU targets.

Financial Targets

3.6 **Definitions of Financial Terms:** All the financial terms should conform to definitions given in **Annexure – I**.

3.7 CPSE will give a self -certification (**Annexure- VII**) to the effect that while arriving at the targets of the financial parameters, the definitions and norms laid down in the MoU guidelines of DPE have been strictly and scrupulously followed and no deviations have been made. At the time of evaluation if it is found that definitions as per MoU guidelines have not been followed by the CPSE, DPE will evaluate the MoU achievements as per the definitions given in MoU guidelines.

3.8 The targets set should be realistic, growth oriented and aspirational. They should be consistent with the Budget for 2015-16 and in conformity with those approved by the Planning Commission, Ministry of Finance, Administrative Ministry/Department and other statutory or regulatory bodies, as applicable. It is observed that some CPSEs under-pitch their projected performance for the coming year to plead their case for soft targets. In

such cases, while undertaking the performance evaluation of MoU, DPE/Task Force will have the liberty to call upon the CMD of the CPSE to explain reasons for such under pitching and gross over achievements. *The Task Force may make appropriate adjustments during performance evaluation & recommend score & rating accordingly.*

3.9 To determine the basic target (BT) for financial parameters, the actual achievement of past 5 years (**Annexure-VIA**) and factors such as capacity and its expansion, business environment, projects under implementation, government policies, external factors and Company's growth forecast should be considered. Further national/ international benchmarks will also be considered, wherever applicable. Basic financial targets should be generally determined by projecting an ambitious growth over achievement or targets of the previous year, unless there was a bad performance in the previous year. In cases of bad performance, a realistic, achievable target considering growth on average of the actual performance of last 3 years' could be considered. For CPSEs, which have recently started their business, the projection shall be done using the available data.

Non-Financial/Dynamic Targets

3.10 A CPSE can select non-financial parameters which are considered crucial to its functioning and fulfillment of its objectives in consultation with the administrative Ministry/Department. However, non-financial targets fixed should be SMART (Specific, Measurable, Attainable, Results-oriented, Tangible). The targets for non-financial parameters should be clearly identifiable and independently verifiable by an external agency, wherever applicable and CPSE should specify the documentary evidence they would rely upon as proof of performance, as well as the source/agency of such documentary evidence. The intention is to ensure, transparent and objective evaluation.

3.11 During the deliberations of the MoU negotiation meeting, if the Task Force comes to the conclusion that any of the dynamic parameter (s) as indicated in the MoU Assessment Format is not relevant to a particular CPSE, then the Task Force may evolve new parameters and adjust the balance weight relevant to that parameter accordingly. Minimization of Audit Qualification may be introduced as a parameter on the discretion of the task force. Further, if the audit report of the CPSEs has observation/qualification on internal control, Preparation of Internal Control Manual/Implementation of Internal control Procedure in consultation with external agencies may be introduced as MoU Parameters. For evaluation, the CPSE should include the Audit Qualification with its financial impact, if any.

3.12 Sector-specific and Enterprise-specific Parameters

Task Force will identify/evolve suitable sector-specific and enterprise-specific parameters and may alter weights in consultation with the CPSE /Administrative Ministry where it is felt necessary and may also club the parameters together under Non-financial parameters.

3.13 Initiatives for Growth

In addition to the financial performance of the CPSEs, quantifiable physical targets are very significant because they reflect productivity and efficiency of a CPSE. The Task Force will ensure that adequate weightage is assigned to physical targets in MoU of CPSE. *Export promotion as a sub – parameter under this category is suggested for CPSEs which already have global operations or where there is scope thereof.*

3.14 Capacity Addition

CPSE/ Administrative ministry may select Capacity Addition as parameter based on their mission/vision statement, business plan and availability of financial resources.

3.15 Project Management & Implementation

Ongoing as well as new projects to be implemented by CPSEs including those monitored by Ministry of Statistics and Programme Implementation (MoSPI) should be included in non-financial targets. List of new/ on-going projects to be completed during the year, milestones to be reached for new/ on-going projects that cannot be completed during the year should be specifically mentioned.

3.16 CAPEX

CPSEs are encouraged to undertake Capital Expenditure and include it as a parameter in MoU. This parameter is included for CPSEs which have accumulated Cash surpluses and there is a need/demand for capacity addition and management considers it as necessary/viable. It will be mandatory for CPSEs monitored by NMCC/PMO.

3.17 Corporate Social Responsibility (CSR) & Sustainability

“Corporate Social Responsibility & Sustainability” is included under the ‘Non-financial parameters’ and can be assigned a weightage of upto 3 marks.

If CPSE is unable to spend funds as prescribed in the Companies Act, 2013 or CSR guidelines issued by DPE, they will be penalized with negative marking, upto 1 mark.

3.18 Research & Development (R&D)

“Research & Development” a ‘Non-financial parameter’ may be included for CPSEs desirous of taking up R&D projects. R&D is not meant as fundamental scientific research (though it is not excluded). It should be linked to improvements in operational efficiencies in all activities, including manufacturing, processing, product development, packaging, marketing, and even work processes, through innovation, adaption, and application of available and emerging technologies and techniques. *This parameter is mandatory for CPSEs as listed in Annexure IX, with minimum weightage of 3.* However, other CPSEs may also take R&D as a parameter if they consider it necessary for the growth of the company. CPSEs are encouraged to undertake collaborative research with premier technical institutes such as the IITs. The R&D work shall be evaluated by at least two independent experts appointed by the Administrative Ministry and this evaluation report shall be included in the overall evaluation report submitted by the CPSE.

3.19 Human Resource Management (HRM)

“Human Resource Management” remains an element under the ‘Non-financial parameters’. Relevant Sub-Parameters under HRM should be selected from the HRM guidelines. Succession planning as a component under HRM especially for Maharatna and Navratna CPSEs, will be encouraged.

3.20 The guidelines for Research & Development and Human Resource Management are available on the website of MoU Division of DPE (<http://www.dpemou.nic.in/>). Guidelines on Corporate Social Responsibility & Sustainability will be issued shortly and will be available on the departmental website.

3.21 Risk Management

CPSE/Administrative Ministry will assess the activities undertaken under Risk Management and may include risk mitigation as a sub-parameter under an appropriate broad category of Dynamic/Non-financial parameters depending on the nature of the risks.

3.22 Negative Marking for Non-Compliance of Corporate Governance

Department of Public Enterprises has issued guidelines on Corporate Governance vide O.M. No.18(8)/2005-GM Dated 14th May 2010. Listed CPSEs will follow both SEBI Guidelines and DPE guidelines while non-

listed CPSEs would require to mandatorily follow the DPE Guidelines on Corporate Governance. Non-compliance of Corporate Governance will lead to negative marking and the MoU score will be decreased in the following manner:

Sl. No.	Annual Score	Grading	Penalty Marks
1	85 % and Above	Excellent	0
2	75%-84%	Very Good	0
3	60%-74%	Good	0.5
4	50%-59%	Fair	0.5
5	Below 50%	Poor	1.0

If a CPSE fails to submit the self-evaluation report of Corporate Governance through Administrative Ministry/ Department or directly to DPE within the timelines, CPSE would be graded as not complied and the same would be treated as poor rating.

3.23 Negative Marking for Non-Compliance of other Guideline/Regulations

a) Procurement from MSME

CPSEs will have to follow the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order, issued vide D.O. No. 21(1)/2011-M.A. dated April 25, 2012, and non-compliance with the aforesaid order will be penalized up to 1 mark.

b) Non-Compliance of DPE Guidelines

CPSEs have to give a certificate regarding implementation of Guidelines issued by DPE within prescribed timelines and format specified through its administrative ministry/department as per details in OM No. DPE/ 14(38)/10-Fin Dated 28th June 2011 & 15th Sep, 2014. Non-compliance of DPE Guidelines determined on the basis of certificate submitted will be penalized up to 1 mark. *If there is any inconsistency between the compliance certificate submitted by CPSE and the observations in the Reports of the Comptroller and Auditor General of India for the year ended March, 2014 & 2015 (if any), the CPSE will be penalized by reduction of 1 (one) mark.*

c) Non-Compliance of CSR Guidelines

CPSE will have to submit a certificate regarding compliance of the Act, Rules & Guidelines issued by DPE in this regard. Non-compliance will be penalized up to 1 mark at the time of MoU Evaluation.

d) Other Non-Compliance

Non-compliance of any directives of government including submission of data for Public Enterprises (PE) survey, MOSPI data updation on their website etc. and non-compliance of requirements of regulators in serious cases may be penalized upto 1 mark depending on the degree and seriousness of non-compliance. CPSE will have to give a certificate regarding compliance of directives of Government and requirement of regulators (Annexure VIII).

4. ENCLOSURES WITH DRAFT MoU

4.1 CPSEs should enclose the Draft MoUs in the relevant format along with all the annexures /documents mentioned in the MoU Guidelines to DPE as well as to Task Force members of the relevant syndicate.

4.2 *Key financial indicators of CPSEs relating to last five years along with MoU targets for 2015-16 and projections for next two years should be submitted in format enclosed as Annexure VI-A. Information on the non-financial targets for the last two years and expected achievements in the next two years shall be submitted in format enclosed as Annexure VI-B.*

4.3 MoU Assessment Format for different sectors

All CPSEs (except section 25 companies, sick/ loss making CPSEs and CPSEs under construction) should choose relevant parameters given in common format (Annexure-II). Section 25 companies, sick/ loss making CPSEs and CPSEs under construction will adopt the formats given at Annexure-III, Annexure-IV and Annexure-V respectively.

4.4 The Summary Records of Discussion (SRD) minutes of the MoU negotiation meetings (2014-15) along with the Action Taken Report (ATR) on the MoU 2014-15 issued by DPE should be annexed with the draft MoU 2015-16.

4.5 CPSEs should submit latest copies of Corporate Plan, Annual Plan, Annual Budget, and Annual Report for 2013-14 and Reviewed Financial results for the period up to September 2014. Similarly, performance up to quarter ending December 2014 should be made available before/during the negotiation meetings.

5. MoU SIGNING PROCESS

5.1 The revised MoUs based on the minutes of the MoU negotiation meetings should be sent by all CPSEs (Holding as well as Subsidiary Companies) through their administrative Ministries/Departments for authentication by DPE, before signing of the MoUs.

5.2 Timely signing of MoU for the year 2015-16: Submission of copy of MoU signed between CPSE and Administrative Ministry/ Department and between Subsidiary Company and Apex /Holding CPSE should be done, within the target date of **25th March 2015**.

6. MOU EVALUATION 2014-15 & 2015-16

6.1 Evaluation of MoU of the CPSE is done at the end of the year on the basis of actual achievements vis-à-vis the MoU targets. CPSEs (Holding as well as Subsidiaries) are required to submit performance evaluation reports for the year 2014-15 on the basis of audited data to Department of Public Enterprises and the Task Force members of the Syndicate Group, after approval of the Board of CPSE and through the administrative Ministries/Departments within the target date of 31st August, 2015. CPSEs should submit the documentary evidence as proof of performance as provided in the MoU. Internal documents submitted by CPSEs for evaluation of parameters should be certified by the concerned CPSEs' Board level officials.

6.2 After completing the evaluation of the performance of the MoU signing CPSEs with the assistance and expertise of the Task Force, DPE submits the results of MoU score and rating of CPSEs to the High Power Committee on MoU headed by the Cabinet Secretary for its approval. Once the High Power Committee approves the evaluation done by the Task Force, the composite score and the ratings of the CPSEs become final.

6.3 Timely submission of Performance Evaluation Report for the year 2014-15 on the basis of Audited data (Statutory Audited Accounts) of the CPSE and documentary evidence in support of achievement of non-financial parameters, to DPE and Task Force Members separately, after approval of the Board of CPSE and through their Administrative Ministry/Department for the year 2014-15 should be done within the **target date of 31st August, 2015** and for the year 2015-16 within the **target date of 31st August, 2016**.

6.4 MoU Score and Rating: *MoU score is an index of the performance of the CPSE which shall be calculated as the aggregate of all the “the actual achievements” vis-à-vis “the targets” set on a 5-point scale.*

The system of grading of CPSEs on the basis of MoU Composite Score is as follows:

MoU Composite Score	Rating
87.5 to 100	Excellent
Less than 87.5 - 67.5	Very Good
Less than 67.5 – 37.5	Good
Less than 37.5 – 12.5	Fair
Less than 12.5	Poor

7. MOU EXCELLENCE AWARDS

7.1 The total number of MoU Excellence Awards are 12 (1 from each of the 10 Syndicate groups, 1 from the listed CPSEs, 1 from amongst the sick/loss making CPSE on way to turnaround). All other ‘Excellent’ performing CPSEs get MoU Excellence certificates.

7.2 DPE vide O.M. No. 3(13)/2006-DPE (MoU) date 20th August 2007 has issued the procedure for evaluation of MoU performance and principles for selection of Excellent Awardees from each Syndicate, and Vide O.M.No. 3(29)/2007-DPE (MoU) dated 7th January 2008 and O.M.No. 3/(29)/2007-DPE(MoU) dated 11.11.2013 issued the methodology to be adopted for the selection of “best listed” and best “*sick/loss making CPSE on way to turnaround*” for Excellence Awards.

8. LIST OF ANNEXURES

Annexure-I: Definitions of Financial Parameters

Annexure-II: MoU Assessment Format for CPSEs other than “Section 25 CPSEs”, “Sick & Loss making CPSEs” and “CPSEs under Construction”

Annexure-III: MoU Assessment Format for Section 25 CPSEs

Annexure-IV: MoU Assessment Format for Sick & Loss making CPSEs

Annexure-V: MoU Assessment Format for CPSEs under Construction

Annexure-VI A: Trend of CPSE’s Performance on Financial Parameters for last 5 Years along with projection for next two years.

Annexure-VI B: Trend of performance of non-financial parameters for last two years alongwith expected achievements in the next two years.

Annexure-VII: Self-declaration/Certification by CPSE

Annexure-VIII: Self-declaration for compliance of directives of Government & Regulators

Annexure-IX: List of CPSEs for whom R&D is a mandatory parameter.

Definitions of Financial and Accounting Terms

1. **Sales Turnover:-** ‘Sales Turnover’ may be defined as the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods and from rendering of services. It is measured by the charges made to customers or clients for goods supplied and services rendered to them. In an agency relationship, it is the amount of commission and not the gross inflow of cash, receivables or other consideration. In case of contractors, the amount of contract revenue recognized as revenue in the statement of profit and loss as per the requirements of AS 7 (revised 2002), should be considered as ‘Sales Turnover’.

It may further be noted that the term ‘Sales Turnover’ does not include amounts collected by the company on behalf of others such as sales tax, value added tax etc. but includes elements of excise duty. Further, inter-divisional transfers, would also not form part of sales turnover.

Note: For the purpose of deciding Memorandum of Understanding (MoU) target under ‘sales turnover’ parameter for the purpose of Department of Public Enterprises (DPE), it shall not include excise duty.

2. **Gross Operating Margin:-** ‘Gross Operating Margin’ is the excess of the proceeds of goods sold and services rendered during a period over their cost, before taking into account administration, selling, distribution, financing expenses and taxes. When the result of this computation is negative it is referred to as ‘gross loss. It will not include ‘other incomes’.

3. **Gross Operating Margin Rate:-** Gross Operating Margin as a percentage of Sales Turnover.

4. **Profit after Tax (PAT):-** The excess of total revenues over total expenses including depreciation and amortisation, interest, extraordinary items, prior period items and taxes (including deferred taxes).

5. **EBITDA:-**EBITDA is the excess of total revenues over total expenses for a period before providing for depreciation and amortisation, interest on borrowings, taxes (including deferred taxes), extraordinary and prior period items.

6. **Earnings Before Interest Tax (EBIT):-**Excess of total revenues over total expenses before providing for interest, taxes (including deferred taxes), extraordinary items and prior period items.

7. **Cash generation from Operations:-**Cash flows from operations is primarily derived from the principal revenue producing activities of the enterprise. As per the principles laid down in the Accounting Standard (AS) 3, Cash Flow Statements, operating cash flows may be calculated by adjusting profit after tax (PAT) for the effects of:

- (i) changes during the period in inventories and operating receivables and payables;
- (ii) non-cash items such as depreciation, provisions, deferred taxes, and unrealised foreign exchange gains and losses; and
- (iii) all other items for which the cash effects are investing or financing cash flows.

8. **Gross Block:-**‘Gross Block’ of fixed assets represents historical cost or other amount substituted for historical cost (i.e. revalued amounts) in the books of account or financial statements.

9. **Depreciation** is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the

expected useful life of the asset. Depreciation includes amortisation of intangible assets whose useful life is predetermined.

10. **Net Block:-**Gross Block shown net of accumulated depreciation and impairment loss, is termed as 'Net Block'.

11. **Share Capital:** -Paid up capital is the aggregate amount of money paid or credited as paid on the shares and/or stocks of a corporate enterprise.

12. **Reserves & Surplus :-**

Reserve: The portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability. The reserves are primarily of two types: capital reserves and revenue reserves.

Surplus: Surplus i.e. balance in the Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves, etc.

13. **Net Worth: -** Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation. Reserves for the purpose means Reserves & Surplus.

14. **Inventories** are assets:

- i) held for sale in the ordinary course of business
- ii) in the process of production for such sale;
- iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services

15. **Capital Employed: -** Capital employed shall comprise of net worth and long term borrowings but excluding Capital Work-in-Progress (CWIP) and all investments made. However, deferred tax assets (net) shall not be form part of Capital Employed.

16. **Extraordinary Items** are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

17. **Prior Period Items** are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods

18. **Working Capital:-**The funds available for conducting day-to-day operations of an enterprise and represented by the excess of current assets over current liabilities.

19. **Trade Receivables:-** Dues arising only from goods sold or services rendered in the normal course of business.

20. **Average Capital Employed:-** Average of the opening and closing capital employed for a period of time.

Average Capital Employed = (Opening Capital Employed + Closing Capital Employed)/2

21. **Cost of Production/Conversion Cost:-** Cost incurred to convert raw materials or components into finished or semi-finished products. This normally includes costs which are specifically attributable to production, i.e., direct labour, direct expenses and subcontracted work, and production overheads as applicable in accordance with the absorption costing method. Production overheads exclude expenses which relate to general administration, finance, selling and distribution.

22. **Current Ratio:** It is the ratio of current assets to current liabilities.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

23. **Debt Service Coverage Ratio:** The ratio of Earning before Interest and Taxes (EBIT) to interest on long-term liabilities.

24. **Average No. of Days of Inventory:-**

$$\text{Average No. of Days of Inventory} = 365 / \text{Inventory Turnover Ratio.}$$

Where, Inventory Turnover Ratio = Cost of goods sold/ Average Inventory.

Cost of goods sold in manufacturing operations includes (i) cost of materials; (ii) labour and (iii) factory overheads; Selling and administrative expenses are excluded.

$$\text{Average inventory} = (\text{Opening Inventories} + \text{Closing Inventories}) / 2.$$

Note: In cases where, the opening balance of inventory is nil, closing balance may be used to compute inventory turnover.

25. **Average Collection Period of Trade Receivables:-**

$$\text{Average Collection Period of Trade Receivables} = 365 * \text{Average Trade Receivables} / \text{Net Credit Sales}$$

Where, Average Trade Receivables = (Opening Trade Receivables + Closing Trade Receivables) / 2

Note: In cases where, the opening balance of trade receivables is nil, closing balance may be used to compute trade receivables period.

26. **Working Capital Turnover Ratio:-**

$$\text{Working Capital Turnover} = \text{Sales Turnover} / \text{Working Capital}$$

27. **Current Assets:** An asset shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is expected to be realised within twelve months after the reporting date; or
- (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

28. **Current Liabilities:-** A liability shall be classified as current when it satisfies any of the following criteria:

- (a) it is expected to be settled in the company's normal operating cycle;
- (b) it is held primarily for the purpose of being traded;
- (c) it is due to be settled within twelve months after the reporting date; or
- (d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

MoU Assessment Format (Common for all CPSEs excluding Section 25 CPSEs, Sick & Loss Making CPSEs and CPSEs Under Construction)

Evaluation Criteria		Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
				Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
1. Static/ Financial Parameters									
Mandatory parameters (sr no (i)-(iii))									
(i)	Growth/ Size/ Activity (Two)		18-24						
a)	Sales Turnover, excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty, tax, etc.)	Rs.Cr.							
b)	Gross Operating Margin	Rs.Cr.							
	or								
	Gross Operating Margin Rate	%							
c)	Loans sanctioned	Rs.Cr.							
d)	Disbursements	Rs.Cr.							
(ii)	Profitability		10-12						
a)	PAT/Net Worth	%							
b)	EBITDA/Net Block^	%							
c)	EBIT/Average Capital Employed	%							
(iii)	Costs and Output Efficiency		8-10						
a)	Sales Turnover/ Net Block	%							
b)	PAT per Employee	Rs. Lakh							
Optional Parameters (sr no (iv) & (v))			8-10						
(iv)	Liquidity/ Leverage								
a)	Current Ratio	Ratio							
b)	Debt Service Coverage Ratio	Ratio							
(v)	Efficiency of Asset Use		6-8						
a)	Average No. Days of Inventory (Inventory Turnover Ratio)	No. of Days							
b)	Average Collection Period of Trade Receivables (Debtors Turnover Ratio)	No. of Days							
c)	NPA/ Loan Assets	%							
d)	Average cost of funds	Rate							
	or								
	Interest rate spread	Rate							
Sub-total 1 (I to V)			50						

Note : CPSEs can choose upto 6 financial ratios in total (from mandatory as well as optional group). Two ratios from sr no (i) are compulsory and CPSE would have to choose minimum one ratio from the remaining two mandatory groups. Task Force in consultation with CPSEs & administrative ministry may change the ratios and their weightage (within 50) after recording the reasons for the same.

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
2. Dynamic/ non-financial Parameters								
(i) Corporate Social Responsibility & Sustainability		Upto3						
(ii) Research &Development		3						
(iii) Initiatives for Growth		10-15						
a) Physical targets/output								
or								
No. of new orders/ projects								
b) Corporate/strategic plan – preparation/ determination/ identification of objectives/ goals								
c) Expansion/diversification/ acquisitions/joint ventures								
d) Brand building/ Marketing initiatives/new products/new markets								
e) Import substitution/ exports/ globalisation of operations								
f) Risk identification and mitigation								
g) Export Promotion								
(iv) Project Management & Implementation		10-15						
a) Capacity Addition								
b) Number of new/ on-going projects to be completed during the year								
c) Milestones to be reached for new/ on-going projects that cannot be completed during the year.								
d) CAPEX (Targets in financial Terms to be achieved in financial year out of CWIP/ Assets under construction.)								
(v) Productivity and Internal Processes		7-10						
a) Asset/ machine/ Facility Utilisation/ Downtime								
b) Product manufacture/ Product Cycle Time								
c) Measures taken to increase efficiency and productivity of manpower/ resources								
d) Benchmarking and fixation of targets to achieve the goals against benchmarking								
e) Market Share								
f) Customer satisfaction and redress of customer grievances								
g) Customer Focus - Customer Satisfaction Index and Complaints per unit of sales								

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
(vi) Technology, Quality, Innovative practices		5-10						
a) New Technologies/ improving existing ones/ other innovative practices								
b) Intellectual property – patents, trade-marks, copyrights								
c) Quality Management - methods like TQM, six Sigma and ISO, Baldrige Performance Excellence Criteria, etc.								
d) Safety Management - Safety incidents Index, reportable incidents								
e) Cyber Security - developing/setting up security systems; monitoring and detection of cyber security breaches		5-10						
(vii) Human Resource Management		Upto 8						
3. Sector Specific Parameter/ Enterprise Specific Parameter		Upto5						
Sub-total (2+3)		50						
Total (1+2+3)		100						

CPSEs can choose upto 8 parameters from Dynamic/ non-financial Parameters. However, CPSE may take upto 3 sub-parameters under a parameter but none of them should carry less than 1 mark. Task Force may change/modify the parameters and their weightage after consultation with the CPSE and administrative Ministry/Department providing reasons for the same, in such a way that the total weightage of non-financial parameter does not exceed 50. Parameters of CSR & sustainability, R&D and HRM are to be chosen in accordance with respective DPE guidelines and OM issued in this respect.

Note: Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.

MoU Assessment Format for 'CPSEs registered under Sec. 25 of the Companies Act, 1956'

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
1. Static / Financial Parameters (40)								
Mandatory parameters		24						
(i) EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)								
(ii) Disbursements (Scheme – wise)								
(iii) Recoveries as a % of amount due for more than 1 year								
(iv) Gross Sales								
Optional parameters		16						
(v) %age of total resources mobilized from sources other than grant in aid of Government								
(vi) Recovery as a % of amount due (current year)								
(vii) %age reduction in Non-performing assets – year wise break up								
(viii) Surplus / Capital Employed								
(ix) Value Added / Total Employment								
(x) PAT / Net worth								
Sub-total		40						

CPSEs should choose minimum 2 financial ratios from mandatory parameters and upto 4 from optional parameters but total no. of financial parameters should not be more than 6.

2. Dynamic Parameters

- | | |
|--|---------------|
| (i) No. of beneficiaries assisted during the year (Scheme - wise) | |
| (ii) %age of beneficiaries found during inspection to have utilised the assistance for the intended purpose/ Introduction of New Products / New technology agreements signed/ Capacity Utilisation | 50
(i-xiv) |
| (iii) Strategic plan – preparation/ implementation | |
| (iv) No. of target group provided skill / Entrepreneurship development programme of establishment institutions that help them to secure employment / rehabilitation. | |
| (v) I. T. initiatives / Implementation of Information Technology System for loan accounting and uploading of beneficiaries data on the website | |
| (vi) No. of beneficiaries got assisted under schemes of other Government Departments or established institutions | |

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
(vii) Partnership with new (in addition to existing) Vocational institutes to train beneficiaries.								
(viii) Partnership with new (in addition to existing) Government Departments/ Established Institutions to leverage the corporations' objectives/ schemes.								
(ix) R&D (refer para 4.3.9 of R&D guidelines)/ Implementation of innovative ideas								
(x) No. of Women beneficiaries								
(xi) No. of beneficiaries under different schemes in backward districts notified by Govt. of India								
(xii) Capacity Building / Infrastructure Development								
(xiii) Marketing efforts / Awareness camps organised								
(xiv) Human Resources Management (HRM)								
3. Sector Specific Parameter/ Enterprise Specific Parameter e.g. Export Promotion Activity, Customer Satisfaction/Service Delivery etc.		10						
Sub-total (2+3)		60						
Total (1+2+3)		100						

CPSEs can choose upto 10 dynamic parameters including Sector/Enterprise Specific parameters. The total number of parameters, both financial and non-financial, chosen for MoU should not exceed 16, as far as possible.

Note: Task Force may change/modify the parameters and the allocation of weightage of dynamic parameter selected by CPSEs such that total does not exceed 60, in consultation with the CPSE and administrative Ministry/Department.

Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.

MoU Assessment Format for 'Sick and Loss making CPSEs'

Evaluation Criteria		Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
				Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
1.	Static / Financial Parameters								
(i)	Sales Turnover, excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty, tax, etc.)	Rs. Cr.	8						
(ii)	Gross Operating Margin Or Gross Operating Margin Rate	Rs. Cr. %	8						
(iii)	Net Profit	Rs. Cr.	5						
(iv)	Net Worth	Rs. Cr.	5						
(v)	Cash Generation from Operations	Rs. Cr.	5						
(vi)	Working Capital Turnover Ratio	Ratio	3						
(vii)	Average No. Days of Inventory (or, Inventory Turnover Ratio)	Days/ Ratio	3						
(viii)	Average Collection Period of Trade Receivables (or, Debtors Turnover Ratio)	Days/ Ratio	3						
Sub-total 1 (i to viii)			40						
2.	Dynamic Parameters								
(i)	Physical targets/output or No. of new orders/ projects								
(ii)	Customer Satisfaction								
(iii)	Project Implementation		30-45						
(iv)	Technology Up-gradation								
(v)	Preparation / Implementation (as the case may be) of the Business/ Revival plan								
(vi)	Generation of funds from non-performing assets								
(vii)	Revenue Generation from Resources Available with the Company								
(viii)	Human Resource Management- HRM		25-45						
(ix)	R&D-Quality improvement, energy efficiency, cost reduction, development of new products, improvement in product & processes (refer para 4.3.9 of R&D guidelines)								
(x)	CSR and Sustainability								
3.	Sector Specific Parameter/ Enterprise Specific Parameter		upto 5						
Sub-total (2+3)			60						
Total (1+2+3)			100						

Note : Task Force may change/modify the parameters and the allocation of weightage of dynamic parameter selected by CPSEs such that total does not exceed 60, in consultation with the CPSE and administrative Ministry/Department.

Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.

MoU Assessment Format for ‘CPSEs Under Construction’

Evaluation Criteria	Unit	Weight (in %)	MoU Target					Documentary evidence and source/origin of documents
			Excellent (5)	V. Good (4)	Good (3)	Fair (2)	Poor (1)	
1. Project Related Parameters								
(i) Physical Achievement	%							
(ii) Financial Achievement	Rs.Cr.							
(iii) Regulatory Clearances								
(iv) Project Implementation								
2. Dynamic Parameters		40						
(i) Corporate Plan/Vision								
(ii) Corporate Social Responsibility & Sustainability								
(iii) Human Resource Management-HRM								
(iv) Research & Development								
Sub-Total (i to v)		60						
3. Sector Specific Variables/ Enterprise Specific Variables								
Total (1+2+3)		100						

Note : Task Force may change/modify the financial & non-financial parameters after consultation with the CPSE and administrative Ministry/Department and after recording reasons for the same, in such a way that the total weightage of financial & non-financial parameters does not exceed 60 & 40 respectively.

Means of verification (documentary evidence and source/origin of documents) in respect of all the parameters should be specified by CPSE in the Draft MoU itself.

ANNEXURE VI-A

(Rs. in Crore)

TREND OF CPSE's PERFORMANCE ON FINANCIAL PARAMETERS FOR THE LAST FOUR YEARS ALONGWITH PROJECTIONS OF NEXT TWO YEARS

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		Latest Benchmarking Details available
	MoU	AC	Mou	AC	MoU	AC	MoU	AC	MoU	MoU	Pro jected for 31.03.15	Project ed	Project ed	Project ed			
Capacity Utilisation (for each plant separately)																	
Production (in Qty.)																	
Production (in Rs. Cr.)																	
<u>Profit & Loss Statement Items</u>																	
Sales Turnover, excluding interest and other income (Operating Turnover) (Sales Turnover shall not include excise duty, custom duty, VAT or any other duty, tax, etc.)																	
Interest and other income																	
Gross Operating Margin Rate (%)																	
Gross Operating Margin																	
EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)																	
Depreciation																	
EBIT (Earnings Before Interest and Taxes)																	
Interest Expenses																	
Prior period Expenses																	
Extra Ordinary Items																	
Any other expenses																	
Profit Before Tax																	
Tax																	
Profit after tax																	
Dividend Paid																	

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		Latest Benchmarking Details available
	MoU	AC	Mou	AC	MoU	AC	MoU	AC	MoU	MoU Projected for 31.03.15	Project ed	Project ed	Project ed				
Profit transferred to Statutory reserves																	
Any Other Item																	
Profit Transferred to Balance Sheet																	
<u>Balance Sheet Items</u>																	
Gross Block																	
Less: depreciation																	
Net block																	
Share Capital of CPSE																	
Reserves & Surplus of CPSE																	
Less: deferred revenue exp./pre-acquisition loss																	
Less: Profit & Loss A/c (Loss figure)																	
Net worth of CPSE																	
Investments																	
Total Current assets																	
Total current liabilities & provision																	
Net current assets																	
Capital employed (Net block + net current assets)																	
Total long-term debt (loan funds)																	
Total Assets																	
No of employees of CPSE																	
<u>Ratios</u>																	
PAT/Net Worth																	
EBITDA/Net Block																	
EBIT/Average Capital Employed																	
PAT per Employee (Rs. Lakhs)																	
Current Ratio																	

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		Latest Benchmarking Details available
	MoU	AC	Mou	AC	MoU	AC	MoU	AC	MoU	Pro jected for 31.03.15	Project ed	Project ed	Project ed				
Debt Service Coverage Ratio																	
Operating Cash Flow																	
Average No. Days of Inventory																	
Inventory Turnover Ratio																	
Debtors Turnover Ratio																	
Loans sanctioned																	
Disbursements																	
NPA/ Loan Asset																	
Average cost of fund																	
Additional for ‘CPSEs registered under Sec. 25 of the Companies Act, 1956’																	
Disbursements																	
% of total resources mobilized from sources other than grant in aid of Government																	
EBITDA / Total employment																	
Recoveries as a % of amount due (current year)																	
Recoveries as a % of amount overdue for varying years (accumulated)																	
Additional for ‘Sick and Loss making CPSEs’																	
Cash Generation from Operations																	
Working Capital Turnover Ratio																	
Additional for ‘CPSEs under Construction																	
Physical Achievement																	
Financial Achievement																	

Note: CPSEs should provide all the information as mentioned above, wherever applicable to them.

Objective	Action	Criterion	Unit	Actual Value for F/Y 10/11	Actual value for F/Y 11/12	Actual value for F/Y 12/13	Actual value for F/Y 30/14	MoU targets F/Y 14/15	Project as on 31.03.15	Target value for F/Y 15/16	Project value for F/Y 16/17	Projected value for F/Y 17/18
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Corporate Social Responsibility & Sustainability

Research & Development

Initiative for Growth

Physical targets/output or
No. of new orders/
projects

Corporate/strategic plan – preparation/ determination/ identification of objectives/ goals

Expansion/diversification/ acquisitions/joint ventures

Brand building/
Marketing initiatives/new products/new markets

Import substitution/
exports/ globalisation of operations

Risk identification and mitigation

Project Management & Implementation

Capacity Addition

Number of new/ on-going projects to be completed during the year

Milestones to be reached for new/ on-going projects that cannot be completed during the year.

CAPEX (Targets in financial Terms to be achieved in financial year out of CWIP/Assets under construction.)

Productivity and Internal Processes

Asset/ machine/ Facility Utilisation/ Downtime

Product manufacture/
Product Cycle Time

Measures taken to increase efficiency and

Objective	Action	Criterion	Unit	Actual Value for F/Y 10/11	Actual value for F/Y 11/12	Actual value for F/Y 12/13	Actual value for F/Y 30/14	MoU targets F/Y 14/15	Project as on 31.03.15	Target value for F/Y 15/16	Project value for F/Y 16/17	Projected value for F/Y 17/18
		productivity of manpower/ resources										
		Benchmarking and fixation of targets to achieve the goals against benchmarking										
		Market Share										
		Customer satisfaction and redress of customer grievances										
		Customer Focus - Customer Satisfaction Index and Complaints per unit of sales										
Technology, Quality, Innovative practices												
		New Technologies/ improving existing ones/ other innovative practices										
		Intellectual property – patents, trade-marks, copyrights										
		Quality Management - methods like TQM, six Sigma and ISO, Baldrige Performance Excellence Criteria, etc.										
		Safety Management - Safety incidents Index, reportable incidents										
		Cyber Security - developing/setting up security systems; monitoring and detection of cyber security breaches										
Human Resource Management												
Sector Specific Parameter/ Enterprise Specific Parameter												

ANNEXURE-VII

Self-declaration/certification by CPSE

It is hereby certified that the targets and actual achievements in respect of financial parameters have been worked out as per MoU Guidelines by adopting the norms and definitions laid down in MoU Guidelines for the year 2015-16. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per MoU Guidelines. CPSE has no right of claim in this regard.

Authorised Signatory

ANNEXURE-VIII

Self-declaration for Compliance of Directives of Government & Regulators

It is hereby certified that the CPSE has complied all the directives of government and requirements of regulators. In case, any deviation is found at the time of appraisal of performance, DPE is free to evaluate as per Guidelines, directives issued by the government/regulators. CPSE has no right of claim in this regard.

Authorised Signatory

S.No	Ministry	Name Of CPSE(s)
1	Department of Atomic Energy	Indian Rare Earth limited
2		UCIL
3		Bharatiya Nabhikiya Vidyut Nigam Limited
4		Nuclear Power Corporation of India Limited
5	Department of Biotechnology (D&ST)	Bharat ImmuNOlogicals and Biologicals Corporation Limited (BIBCOL)
6		BIRAC
7	Ministry of Steel	MOIL Limited
8		NMDC
9		Steel Authority of India Limited
10		Rastriya Ispat Nigam Limited (RINL)
11	Ministry of Chemical & Fertilizer	Fertilizers and Chemicals Travancore Limited
12		Rashtriya Chemicals and Fertilizers Limited
13		National Fertilizers Limited
14		Hindustan Fluoro Carbons Ltd.
15	Ministry of Mines	Hindustan Copper Limited
16		National Aluminium Company Limited
17	Ministry of Power	NHPC Limited
18		NTPC Limited
19		Power grid Corporation of India Limited
20	Ministry of Petroleum Oil & Natural Gas	Oil India Limited
21		ONGC Limited
22		Hindustan Petroleum Corporation Limited
23		Indian Oil Corporation Limited
24		Gail (India)Ltd
25		EIL
26		Bharat Petroleum Corporation Limited
27	Ministry of Coal	Neyveli Lignite Corporation Limited
28		Coal India Limited
29		Central Mine Planning & Design Institute Limited
30	Department of Fertilizer	Projects & Development India Limited
31	Ministry of Shipping	Dredging Corporation of India Limited
32		Cochin Shipyard Limited
33		Shipping Corporation of India Ltd.

S.No	Ministry	Name Of CPSE(s)
34	Ministry of Agriculture	National Seeds Corporation Ltd
35	Ministry of Defence	Hindustan Aeronautics Ltd
36		Bharat Dynamics Ltd
37		Mazagon Dock Ltd
38		Garden Reach Shipbuilders & Engineers Ltd
39		Goa Shipyard Ltd
40		Hindustan Shipyard Ltd
41		BEL
42		Mishra Dhatu Nigam Ltd.
43		BEML
44	Ministry of Heavy Industries	Rajasthan Electronics Ltd.(REL)
45		BHEL
46	Ministry of Railways	CONCOR
47		Konkan Raliways Corporation Limited
48	Ministry of Social Justice & Empowerment	Artificial Limbs Manufacturing Corporation
49	Ministry of Urban Development	National Building Construction Corporation Limited.

[DPE OM No.3(0012)/2014-DPE(MoU) dated 07.11.2014]

5. MoU Guidelines for the year 2015-16.

In partial modification of this Department's OM of even number dated 7th November 2014 regarding MoU guidelines for the year 2015-16, the following amendments are made.

1. Para no. 3.2 on page no. 6 of detailed MoU guidelines 2015-16 is amended and may be read as:

“With a view to distinguish ‘Excellent performance’ from ‘Poor performance’, 5 different performance targets should be fixed in the MoU on a 5 point -scale wherein Excellent will be equivalent to 5, Very Good will be equivalent to 4, Good will be equivalent to 3, Fair will be equivalent to 2 and Poor will be equivalent to 1.”

2. Para no. 6.4 on page no. 11 of detailed MoU guidelines 2015-16 is amended and may be read as:

MoU Score & Rating:

Raw Score reflects the ‘actual performance’ in relation to the 5 point scale of MoU Targets. If the actual performance is equal to or more than the “Excellent” target, raw score would be 5.00. If actual performance falls in between “Excellent” and “Very Good”, in that case raw score would be 4 + (Actual – Very Good)/ (Excellent – Very Good). If actual performance falls in between “Good” and “Fair” target, in that case raw score would be 2 + (Actual – Fair)/ (Good – Fair) and so on. If actual performance is equal to or less than the “Poor” target, raw score would be 1.00.

The Composite Score is an index of the performance of the CPSE, which shall be calculated as the aggregate of all the weighted score of “the actual achievements” vis a vis “the targets” set on a 5 -point scale.

The system of grading of CPSEs on the basis of MoU Composite Score is as follows:

MoU Composite Score	Rating
100>Score=90	Excellent
90>Score=70	Very Good
70>Score =50	Good
50>Score =30	Fair
30>Score =20	Poor

2. This issues with the approval of competent authority.

DPE OM No.3(0012)/2014-DPE(MoU) dated 16.12.2014]

(B) Guidelines Mou Excellence Awards

1. Guidelines for MoU Excellence Awards.

As per the decision of the Competent Authority, a Committee under the Chairmanship of Shri N.K. Sinha, Chairman, Public Enterprises Selection Board(PESB) was constituted vide order of even number dated 11.1. 2007 to review the CPSE Excellence Award on MoU.

2. The Competent Authority considered the Report of the Shri N.K. Sinha Committee and approved the following:

- (i) There would be MoU evaluation of CPSEs only once during the year based on audited data. Those CPSEs who do not submit self-evaluation score based on audited data to DPE by 31st August will not be eligible for the MoU Excellence Award.
- (ii) The MoU Composite Score and ratings should be prepared and finalized by the Syndicate Group concerned of the Task Force.
- (iii) Once the MoUs are signed between the CPSEs and the Ministries/Departments, no revision of targets will be permitted.
- (iv) The existing system of equal weightage of 50% each to financial and non-financial parameters in MoU, which is based on NCAER Report should continue.
- (v) The total number of MoU Excellence Awards will be 12 (1 from each of 10 Syndicates, 1 from the listed CPSEs, 1 from amongst the turnaround sick and loss making Enterprises). All other excellent performing CPSEs will get MoU Excellence merit certificates.
- (vi) Three following basic principles for selection of CPSEs for MoU Excellence Awards would also be adopted:
 - (1) The profit of the CPSE in the year should be higher compared to the previous year.

- (2) It should not be loss-making enterprises.
 - (3) The composite score of the CPSE should not be more than 1.5.
 - (vii) As the Excellent grading has a range of 1 to 1.5, CPSEs getting a composite score upto 1.5 will be eligible for MoU Excellence Awards and Certificates.
 - (viii) These will be effective for evaluating and awarding the CPSEs for MoU performance for the year 2006-07 onwards.
 - (ix) Administrative Ministries may take the appropriate action on CPSEs who have not signed MOU by 31st March, 2007 as already instructed vide DPE's O.M. No. 3(16)/2006-DPE(MOU) dated 9th January 2007. The earlier decision dated 1.12.2006 of HPC should be enforced.
 - (x) Compliance of Corporate Governance should also be included as one of the criteria for consideration of the awards in all the 3 categories for the year 2007-08 onwards.
3. The Administrative Ministries/Departments are accordingly requested to communicate the above decision to all the concerned CPSEs under their administrative control.

[DPE OM No. 3(13)/2006-DPE(MOU) dated 20th August, 2007]

2. Guidelines for MoU Excellence Awards to best listed CPSEs and turnaround sick/loss making CPSEs .

In continuation of this Department's OM No.3(13)/2006-DPE(MOU) dated 20th August, 2007, the Competent Authority has decided that MOU Excellence Award would be given to (a) one of the listed CPSEs and (b) one of the sick/ loss making CPSEs on its way to turnaround. The methodology for the selection of the best in the said two categories for MoU Excellence Awards will be as follows:

(a) For listed CPSEs for the year 2006-07

- (i) The closing price of the equity/stock on the date of trading day on the Bombay Stock Exchange (BSE) will be considered for computation of market capitalization. In case a CPSE is not listed on BSE, the closing price of the stock on the date of trading on the National Stock Exchange (NSE) will be considered for computation of market capitalization.
- (ii) The daily market capitalization of the stocks of a CPSE will be arrived at by multiplying the number of outstanding shares issued on that day with the closing price of the day.
- (iii) On the basis of (ii) above, the total value of the daily market capitalization for the year shall be arrived at by adding the market capitalization for all the trading days during the financial year. The average market capitalization shall then be calculated by dividing the total of the daily market capitalization for the year by the total number of trading days for that year.
- (iv) The Form-1 enclosed to this OM is the format for computation of the average market capitalization for the year.
- (v) Any fresh issue of equity capital (other than bonus issue made by a CPSE during the relevant financial year) will, however, be excluded for the purpose of computing the market capitalization.

- (vi) The growth rate in market capitalization will be worked out based on the average market capitalization in the year of the MoU (under consideration) and the average market capitalization in the preceding year (Form-2). This growth in market capitalization will be compared with the growth in Sensex on the Bombay Stock Exchange (BSE).
- (vii) Only those CPSEs will qualify for being considered for the MoU Excellence Award whose percentage growth in market capitalization exceeds the percentage growth in Sensex of the BSE. The listed CPSEs will then be ranked in the descending order based on the highest percentage growth in market capitalization (Form-3). The CPSE with the highest growth will be selected for the MoU Excellence Award.
- (viii) The CPSE with average daily market value of shares traded during the year being less than Rs.50 lakh will not be eligible for consideration of MoU Excellence Award.

(b) For the best turnaround Loss/Sick CPSE :-

- (i) CPSE will be considered sick if it is referred to either BIFR or BRPSE.
- (ii) Only such CPSEs, from amongst the sick and loss making CPSEs will be considered that have earned profit before tax i.e. PBT (excluding extra-ordinary income by way of (a) waiver of loans, interest, guarantee fee, penal interest, (b) receipt of grant and (c) profit from the sale of land for the year of the MOU under consideration as well as during the immediately preceding financial year, that is, for the year of MoU under consideration as well as during the preceding year. This is to ensure that the turnaround is on firm ground.
- (iii) Eligible CPSEs will be ranked according to the MOU Composite Score (in ascending order); the CPSE having the lowest composite score will be ranked first and will be given the MOU Excellence Award as the best turn around CPSE.

3. The Administrative Ministries/Departments are accordingly requested to communicate the above decision to all the concerned CPSEs under their administrative control.

[illegible]

- | | |
|---|---|
| A | TOTAL OF DAILY MARKET CAPITALISATION (RS/CRORE) |
| B | TOTAL NUMBER OF TRADING DAYS (NOS) |
| C | AVERAGE MARKET CAPITALISATION (A/B) |
| D | TOTAL OF DAILY MARKET VALUE OF SHARES TRADED |
| E | AVERAGE DAILY MARKET VALUE OF SHARES TRADED (D/B) |

*MARKET VALUE OF SHARES TRADED SHOULD INCLUDE QTY. IN BSE AND NSE. The CPSE with average daily market value of shares traded exceeding Rs. 50 lakhs will be eligible for selection in best performing CPSE (Form-II)

FORM 2

FORMAT FOR SELECTING THE BEST PERFORMING LISTED CPSE

Rs / Crore

[illegible]

[illegible]

(C) Other Guidelines

1. Guidelines on Research & Development for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to enclose Guidelines on Research & Development for Central Public Sector Enterprises. These Guidelines are available on DPE website <http://dpemou.nic.in/MOUFiles/R&D.pdf>

CPSEs are requested to implement these Guidelines with immediate effect. However, for the purpose of Performance Evaluation under the MoU system, these Guidelines will take effect from the year 2012-13.

All the administrative Ministries/Departments are requested to take note of the above Guidelines and bring these Guidelines to the notice of CPSEs under their control for necessary action.

1. RATIONALE

- 1.1 The ongoing integration of world economies has opened up an array of business opportunities and challenges to corporate firms to access new markets on the one hand and increased competition on the other. This intense competition is pushing business leaders to increasingly recognize the need to shift focus to new business opportunities. The situation has also compelled organisations in the developed world to make their operations R&D driven as they increasingly confront the risks of competing with low cost producers in emerging markets.
- 1.2 Despite substantial achievements and high levels of performance in a large number of sectors, our country has not optimally utilized its vast research potential. It urgently needs to strengthen its enormous capacity to generate knowledge and to translate that knowledge into economic and social value,
- 1.3 At the time of independence, our nation did not have a strong, organized scientific or technological infrastructure and it had to depend heavily upon imported technologies for development. India's Science and Technology Policy, 2003 aimed at optimal utilization of existing physical and knowledge resources, development of innovative technologies, creation and management of intellectual property, systems and methodologies for mitigation and management of natural hazards, etc. Over the years, our country has developed a large base of scientific manpower with the expertise to facilitate and promote modern advancements in basic and applied sciences. The time is therefore, ripe to focus on R&D for accelerating development and growth in the country.
- 1.4 R&D plays an important role in the business processes that result in technology bringing new products and services to the market place. R&D results in high quality jobs, successful enterprises, better goods, services and more efficient and cost effective processes.
- 1.5 As per the Research and Development Statistics 2007-08 published by the Ministry of Science and Technology, India's R&D expenditure as a percentage of GNP in 2005-06 was 0.89% as compared to 0.81% in 2002-03. The share of various sectors in the National R&D expenditure for the year 2005-06 was; Central Govt. 57.5%, Public sector industry 4.5%, Private sector 25.9%, State Govt. 7.7% and Higher Education 4.4%.

- 1.6 The rationale behind R&D activities for CPSE's is the changed business environment is highly competitive markets, the rapid pace of change in technology, stringent emission norms, quality control criteria, heightened expectations and demands of customers, lack of transfer of technology and know-how from competitors, etc. R&D activities by CPSEs can result in substantial increases in market share and competitiveness. They would help to increase profitability and reduce costs. R&D is also a vital input for strengthening the defence preparedness of our nation.
- 1.7 R&D initiatives can further help strengthen our country's technological capabilities, ensure growth and help in the creation of jobs. They would also allow CPSEs to address the new challenges and opportunities in increasingly competitive global markets. R&D programs will create opportunities for the young and educated youth and will help in retaining talent within the country. Focused R&D programs; combined with new international partnerships, can help to address global issues such as climate change, health, energy security, food security and poverty alleviation.
- 1.8 In MoUs to be signed between CPSEs and administrative Ministries/ Departments from the year 2011-12 onwards, 5% weightage out of 50% for non-financial parameters has been earmarked for R&D activities.
- 1.9 Some R&D activities carried out by CPSEs so far, are in the area of :
- Technology development
 - Product development / improvement
 - Process development / improvement
 - Efficiency improvement
 - Performance improvement
 - Quality improvement
 - Value engineering
 - Cost reduction
 - Import substitution for strategic reasons
 - Ecological Balance, conserving environment & resource optimization
 - Developing alternate sources of energy
 - Providing solutions to generic problems (non-routine)

2. SCOPE & MEANING

- 2.1 According to the Companies Act 1956, the accounts of the companies are required to be prepared in accordance with the Accounting Standard issued by the Institute of Chartered Accountants of India from time to time. The accountings of Research and Development expenses have been dealt with under the Indian Accounting Standard 26. According to this, 'Research' is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.'

Examples of research activities are (Reference to Institute of Chartered Accounting Standard - 26; page 42):

- a) activities aimed at obtaining new knowledge;
- b) the search for, evaluation and final selection of, applications of research findings or other knowledge;
- c) the search for alternatives for materials, devices, products, processes, systems or services; and
- d) the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services

2.2 Further, according to Accounting Standard 26, 'Development' is the of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial or use'.

Examples of development activities are (Ref ICAI, AS 26 Page 46):

- a. the design, construction and testing of pre-production or pre-use prototypes and models;
- b. the design of tools, jigs, moulds and dies involving new technology;
- c. the design, construction and operation of a pilot plant that is not of a scale economically feasible for commercial production;
- d. the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services; and
- e. the design; construction and operation of a demonstration plant of reasonable capacity for proving the technology at commercial scale.

2.3 Moreover, the Govt. of India has enunciated various fiscal incentives to promote R&D activities. Deductions for R&D expenses are allowed under the Income Tax Act.

2.4 According to the proposed Direct Tax Code Bill 2009, 'Scientific Research and Development' shall mean systematic investigation and search in the field of technology natural or applied science (including agriculture) if :

- a) It is carried out by a Company by means of experiment or analysis;
- b) It is in the nature of
 - (i) Basic research, namely work undertaken for the advancement of scientific knowledge without a specific practical application in view,
 - (ii) Applied research, namely work undertaken for advancement of scientific knowledge with a specific practical application in view,
 - (iii) Experimental development, namely, work undertaken for the purpose of achieving technological advancement for the purpose of creating new or improving existing materials, devices, products or processes including incremental improvement thereof and
- c) It is NOT in the nature of
 - (i) Market research or sales promotion. or
 - (ii) Quality control or routine testing of materials, devices, product or process or processes, or

- (iii) Research in the social science or the humanities, or
- (iv) Prospecting, exploring or drilling for, or producing, minerals, petroleum, or natural gas, or
- (v) The commercial production of a new or improved material, device or product or commercial use of new or improved process
- (vi) Style change, or
- (vii) Routine data collection

2.5 Notwithstanding the definitions mentioned in the above paras, for the purposes of MoU, the following activities in addition to activities mentioned in para 1.9 shall also fall within the ambit of R&D activities and may include any one or more of the following that may be relevant to the current & future business needs of the organisation. (Indicative list is given at Annexure-I)

- a) R&D activities must be original and planned and should result in new knowledge;
- b) The application of R&D should result in new / improved products or processes or services that should be new to the company, or new to the region or new to the world;
- c) The search for knowledge may be related to product, material, device, process, system or services. It may be related to design, or new or alternative or improved use of materials, products, processes, systems or services;

It also includes application of research findings for new or substantially improved materials, products, processes or systems or services prior to commencement of commercial production or use which may include

- d) setting up of demonstration / pilot plants for the first time by the organization;
- e) Sectors, like Financial, Tourism, Trading etc., can take-up the design and testing of new or improved systems or services to develop new processes resulting in enhanced value addition/ performance of the organization.

3. POLICY, PLANNING AND BUDGETING

3.1. The Planning for R&D should commence with the Corporate R&D Policy of the company which every CPSE must have. This Corporate R&D Policy should align itself with the Company's Vision and Mission.

3.2. Based on the R&D Policy, the CPSE must develop an R&D manual and Specific R&D plan. Specific R&D plans should be long, medium and short term as per need and have clearly earmarked objectives, scope, expenditure, benefits expected, deliverables, time periods etc. It may also include details of expected tax benefits. To achieve the objectives and goals, it is necessary to prioritize R&D projects depending on the benefits that are likely to accrue.

3.3. CPSEs shall get Specific R&D plan and R&D budget approved by the Board of Directors and the details of such approval are required to be submitted to the Task Force at appropriate time. Any CPSE which has not got its Specific R&D plan and R&D budget passed by its Board will automatically be rated as "Poor" in R&D component of MoU.

3.4. Specific R&D plans should also contain details about implementation as well as procedures and

methodologies for monitoring results and modalities of concurrent and final evaluation. It should also specify mandatory documentation of the R&D efforts as well as results achieved. It should also, where applicable, include provisions for obtaining / maintaining recognition of its R&D centre by the Department of Scientific & Industrial Research, so that applicable tax / duty benefits can be claimed by CPSEs.

3.5. Specific R&D plans should contain projects to be undertaken. The targets to be achieved against each project needs to be clearly defined. The plan should specify

- Projects to be undertaken;
- Activities to be undertaken for each project;
- Budget allocated as a percentage of PAT;
- Responsibilities and authorities;
- Major measurable and perceivable results expected;
- Knowledge management systems and HR issues of manpower, incentives and rewards;
- Proposed net working with academic/research institutions, customers and vendors.

3.6. Projects labelled as R&D should not overlap with projects under Corporate Social Responsibility or Sustainable Development.

3.7. CPSEs should formulate a procedure for identifying in-house /collaborative R&D projects.

3.8. Funding of R&D:

- i) The CPSE must specify and justify its R&D budget as a percentage of Profit (PAT) keeping in mind its long term business needs and current expenditure on R&D. The expenditure on R&D as a percentage of PAT will have 50% weight in the total marks of 5 in the MoU. The prescribed minimum amount for expenditure under R&D will be as under:

Sl. No.	Category of CPSE	Minimum Expenditure on R&D as a percentage of PAT
1	Maharatna & Navratna	1% of Profit after Tax
2	Miniratna —I & II and below	0.5% of Profit after Tax

- ii) CPSE should make an attempt to benchmark R&D spending with internationally prevalent best practices in that sector.

- iii) R&D budgeting for the next 3 years must be clearly indicated. However, the projected annual expenditure for the year under consideration will be taken as the target for the year.

- iv) The funding of R&D budget will not lapse. It will be transferred to a R&D fund which will accumulate —as in the case of non lapsable pool for the North East.

- v) In respect of CPSEs categorised under Section 25 and Financial Services syndicates, etc.,

DPE / Task Force will have the flexibility to evolve parameters, weights, etc. for R&D

- 3.9 CPSEs should empower R&D team with adequate delegation of powers for smooth implementation of projects. The R&D Reject leader may be empowered to procure materials / components / equipment / software tools from foreign sources as per established procedures or as decided by the Board of CPSE. Similarly, if the R&D team finds it essential to consult an expert individual / agency / institute after ensuring availability of the resource for desired results, the team may be empowered to hire such services / competencies as per established procedures. or as decided by the Board of CPSE. The R&D team should be empowered to travel and interact with peers on need basis. Visits to foreign universities, technical conferences for interaction / collaborative association may be simplified/ streamlined / facilitated.
- 3.10. CPSEs have been classified into Maharatna, Navratna , Miniratna I& II and other category. Maharatna and Navratna CPSEs shall select Five R&D projects ; Miniratna 'I' and other CPSEs shall select Three R&D Projects to be taken as Target in the MoU.

4. IMPLEMENTATION

- 4.1. R&D must be developed as a 'discipline in CPSEs through a systematic approach.
- 4.2. CPSE should create a mechanism / process for planning / monitoring at the apex level to decide on R&D activities on long term / short term basis. The mechanism should ensure periodic assessment of the progress of the activities. In addition, the Board may appoint / assign a Director or its Sub-committee who can meet on regular intervals to review the progress with the R&D team.
- 4.3. The implementation of an R&D project may be based on the following procedure:

4.3.1 Stable & Permanent Mechanism

A mechanism / process should be created to decide the procedures for taking up R&D activities / projects along with other parameters such as: cost, benefits expected, time period (on long term/short term) etc. The mechanism for the implementation of R&D shall be constituted in the beginning of the project. The project initiation format shall contain:

- Project description, outcome, work plan and milestones along with the time schedule
- Project team, possible partnerships & collaborations
- Procurement plan for equipment, pilot plant, software etc
- Infrastructure, financial and manpower requirements
- Empowerment of the R&D team required to take crucial decisions
- Identification of grey / critical areas and plan to overcome the same

4.3.2 Baseline Organizational Survey:

The impact made by R&D activities should be quantified to the best possible extent with reference to baseline data which needs to be developed by the CPSE before the start of the project. The baseline data should have information on previous work done and technologies available in similar areas.

4.3.3 Project Identification:

R&D project selection and funding decisions are critical if the organization is to stay in business as any wrong decision can result in the tying up of significant resources and lead to loss of both strategic and market position. In the fast changing business environment prevailing today, R&D is an investment which

companies make for their future growth and sustained operation.

Thus, R&D projects should be identified keeping in mind the business needs of the CPSE. Wherever possible, the project selected should be in-line with the core activities and the outcome of the R&D should help in achieving the long term goals of the CPSE and should yield measurable economic / social benefits. In other words, the R&D project selected should be within the framework of an enterprise's strategic objectives and organizational structure while considering and integrating financial and strategic benefits of each project.

4.3.4 Specifying outcomes:

The outcome expected at the end of the project should be clearly defined before the start of the project as it would help to understand and communicate to others how the projects and services will contribute to the broader and more enduring goals of an organisation. However, it need not describe a program or strategy in any real sense. Outcome is not about actions or activities, but is about the results of actions and activities.

Writing outcomes is often best handled as a group exercise among the team of people to be involved in the planning, implementation, and management of a program. This allows various stakeholders to come together and weigh the various viewpoints and perspectives.

4.3.5 Setting Timeline & Mileposts

Timelines & Mileposts are tools that could be used to help team members to know what tasks need to be achieved at each phase of the project and under what time schedule. Preparing a graphical representation is an appropriate way to provide an overview of all that needs to be accomplished in a project as well as how much time it will take to be completed.

4.3.6 Collaboration & Synergizing

Activities may be undertaken by CPSEs individually as in-house activities in its R&D Centre. Alternatively, R&D activities may be undertaken/outsourced through specialized agencies like Universities, Central organizations. i.e., CSIR, ICAR, ICMR, DRDO, DoS, DAE and other National & International Laboratories / academic institutions, Private Companies, Labs or Institutions. Collaboration may also be taken up for the in-house project amongst different departments in the organization if the requirement so arise.

For the state-of-the-art technologies for which technology base and expertise is not available in the country, CPSE should explore collaboration with the best foreign universities, research labs / institutions so as to compress the technology development cycle.

4.3.7 Outsourcing

The purpose of R&D outsourcing is to bridge the gap in competencies / resources required for businesses with differentiated products and systems to meet market needs. Outsourcing of essential competencies for meeting R&D project activities / objectives should be need based. The team shall be empowered to identify and utilise all such resources. CPSEs who do not have R&D facilities, can outsource R&D work as part of overall product development.

4.3.8 Incentives and Rewards

The incentives introduced by the Government of India to promote R&D include: write off of revenue and capital expenditure on R&D, weighted tax deduction on sponsored research programmes of industry with National Laboratories / Universities / IITs, accelerated depreciation allowance on plant and machinery which are set up based on indigenous technology, custom duty exemption on goods imported for use in Government

funded R&D projects, excise duty waiver for 3 years on goods produced based on indigenous technologies and duly patented in any two countries out of India, European Union (One Country), USA and Japan.

Timely and successful completion of a project could be considered for incentives and rewards. The team leader and the members should be considered for citations and cash awards. CPSEs should formulate schemes for giving incentives to scientists and engineers for outstanding R&D activities, like IPR-Patent filing, Publications, Commercialization of R&D process/patent/know-how, etc.

4.3.9 Exception

Notwithstanding anything contained in these Guidelines, CPSEs which genuinely feel that investment in R& D would be unnecessary for them, may make a written submission to their Task Force Syndicate Convener. Only on receipt of a written exemption duly signed by such Convener would a profit making CPSE be allowed to forego R& D activities. Such an exemption would be valid only for one performance year.

Loss making CPSEs, sick CPSEs, CPSEs under BRPSE package and CPSEs registered under Section 25 of the Companies Act are automatically exempted from these Guidelines. However, they should achieve R&D objectives by integrating business processes with R&D processes to achieve quality improvement, energy efficiency, cost reduction, development of new products, improvement in products and processes, etc. Wherever possible, they may take initiative in synergy with other CPSEs or Research Institutions / Agencies / Laboratories /Universities.

5. MONITORING

5.1. A close review and monitoring of the R&D projects is very crucial and needs to be a periodic activity of the Enterprise. For proper and periodic monitoring of R&D activities, CPSEs may appoint a Sub-committee of the Board or a suitable apex group.

5.2 The R&D projects undertaken by CPSEs shall be monitored and reviewed at regular intervals (monthly / quarterly / annually). The review of the project shall be done with respect to the target set at the beginning of the project. The project report submitted for the review shall contain both physical and financial progress of the project. This will not only help in getting a valuable feedback, but will also help in determining whether a particular project should be continued or may be abandoned.

5.3 Types of Review may be concurrent or final, based on the activity chart of the project & its completion time. This may include:

Concurrent Review which may cover:

- a) Activities with-respect-to deliverables / Milestones
- b) Need for any course change
- c) Need for financial or networking modifications
- d) IPR feasibility

Final Review which may cover:

- a) Deliverables as anticipated
- b) Reasons for short closure or change of course
- c) Reasons for change in budgeted expenses

d) Adherence to time schedule

e) Possibility of 1PR

5.4 CPSEs may develop their own systems / procedures for review which may be multi-tiered, if needed.

5.5 CPSEs should have a separate paragraph / chapter in the Annual Report on the implementation of R&D activities/projects, including the facts relating to physical and financial progress.

5.6 Results of R&D activities should be recorded and reasons for failure of a project must be analysed and recorded so that the same may be used as a reference in future.

6. FILLING UP TARGET SETTING CUM EVALUATION TEMPLATE AND MARK/WEIGHT ALLOTMENT PROCEDURE FOR MOU

6.1 Each CPSE would be evaluated under the MoU framework for its achievement in the area of R&D.

6.2 For this purpose, each CPSE would be required to select R&D projects (Maharatna & Navratna - Five Projects, Miniratna - I & II and other CPSEs below—Three Projects: Illustrative list of projects given at Annexure- I) at the time of submission of draft MoU to the Task Force.

6.3 CPSE's actual performance vis-à-vis MoU targets on R& D will be evaluated on the basis of the following:

a) R&D expenses incurred and

b) progress made in respect of chosen projects

6.4 CPSE will submit the requisite information on R& D in the prescribed Target Setting cum Evaluation Template given at Annexure-III at the time of :

(i) Submission of draft MoU to the Task Force Syndicate and

(ii) Submission of self-evaluation report on or before 31st August each year i e. just before MoU Performance Evaluation by the Task Force

During Submission of Draft MoU

At the time of submission of draft MoU, CPSE is required to submit the details of approval of Specific R&D Plan and R& D Budget by Board of Directors; the Projected Annual Expenditure on R&D on a five- point scale (Excellent, Very Good, Good, Fair and Poor) (Table 1) ; Chosen R& D Projects (Maharatna & Navratna -Five Projects, Miniratna -I & II and other CPSEs below— Three Projects) along with one performance indicator for each and performance target values on a five- point scale(Excellent, Very Good, Good, Fair and Poor) (Table 2).

During Submission of Performance Evaluation Report

CPSE is required to submit Total Expenditure incurred on R&D and its percentage of Profit after Tax (Table 1); actual performance achievement as compared to target value in respect of performance indicator for each chosen projects (Table 2) on or before 31st August every year. In case the details of approval of Specific R&D Plan and R&D Budget by the Board of Director are not submitted, "Poor" grade will be awarded at the time of evaluation of MoU. **(CPSE is not required to fill up the Score allotted for each**

Table as the Task Force, on consideration of actual achievement verified by Independent Expert or Research Advisory Committee of CPSE, will allot the marks on R&D during evaluation of the MoU).

6.5 Target Setting cum Evaluation Template consists of 2 Tables, details of which are as under:

6.5.1 Table 1: Mandatory Parameter- R& D Budget as a percentage of PAT-

Each CPSE shall indicate proposed R& D budget as a percentage of Profit after Tax (PAT) of the previous year (Refer clause 3.8 of Guidelines) at the time of submission of draft MoU. It will have a weightage of 2.5 out of 5 on R& D in the MoU.

With a view to distinguishing "Excellent Performance" from "Poor Performance", five different performance targets on a five-point scale (Excellent, Very Good, Good, Fair and Poor) shall be fixed in the MoU.

At the end of the year, during performance evaluation of MoU, CPSE' shall indicate actual expenditure incurred on R&D, as a percentage of Profit after Tax (PAT). This should be verified by an Independent Expert or the R&D Advisory Committee.

6.5.2 Table-2: Projects Chosen by CPSE-

Stage-1: Each CPSE shall submit R&D projects (Maharatna & Navratna -Five Projects, Miniratna-1&11 and other CPSEs below— Three Projects :- Illustrative list of projects given at Annexure- I) at the time of submission of draft MoU to the Task Force.

Each CPSE is required to indicate one performance indicator (illustrative list given at Annexure-II), which it considers to be the most important/vital /key indicator for each project, at the time of submission of draft MoU.

CPSEs shall assign due weightage to each project at the time of submission of draft MoU. Total weightage for projects chosen will be 2.5 out of 5 on R&D in MoU.

Stage 2: During the negotiation meeting, Task Force will discuss R&D Projects and key performance indicators. With a view to distinguishing “Excellent Performance” from “Poor Performance”, five different performance targets on a five-point scale (Excellent, Very Good, Good, Fair and Poor) shall be fixed in the MoU. The Task Force can add/delete/modify the R&D Projects, performance indicators, target values and weights.

After deliberations during the negotiation meetings, such projects along with target values against performance indicator(s) and weights as approved by the Task Force shall be incorporated in the MoU. However, a CPSE can substitute only one project out of those agreed in MoU provided a notice indicating the intention to substitute the same is given to the Task Force member In-charge of R&D, three months before the start of the project.

6.6 Assessment of R& D in MoU

At the year end, each CPSE shall submit Self- Evaluation Report on R& D performance in respect of:

- (i) Actual expenses on R& D as against agreed target and as a percentage of PAT (Table 1),
- (ii) Actual achievements/milestones in respect of each R& D project/activity agreed in MoU

target (Table 2).

Such Self-Evaluation Report of each CPSE shall be duly supported by a verification report of Independent Expert or R&D Advisory Committee.

6.7 Each CPSE shall submit the evaluation report to DPE after approval of the Board of Directors and through the Administrative Ministry. The Task Force, after due scrutiny, will award the final score out of 5 on Research & Development.

7. DOCUMENTATION, ADVOCACY, PROMOTION AND DEVELOPMENT

7.1 National R&D Hub:

The Department of Public Enterprises in conjunction with National Foundation for Corporate Social Responsibility under the Indian Council of Corporate Affairs, Ministry of Corporate Affairs and the CPSEs, will create a National R&D Hub which will undertake / facilitate the following activities:

- i. Nation-wide compilation, documentation, and creation of database of R&D projects/activities and initiatives of CPSEs;
- ii. Advocacy;
- iii. Research;
- iv. Preparation of Panels of Implementing organizations, monitoring and evaluation agencies;
- v. Promotional activities, including production of short films, printing of brochures, pamphlets, promotional materials etc.;
- vi. National and International Conferences, Seminars, Workshops, etc.
- vii. undertake /coordinate training activities connected with R&D
- viii. Think Tanking and collaboration with external agencies to create a R&D Think Tank;
- ix. Setting up a National Data Centre;
- x. Any other activities that it deems fit for the promotion of R&D
- xi. Any other matter as entrusted to it from time to time by the Department of Public Enterprises (DPE).

7.2 The National R&D Hub will begin operations with funding provided by Department of Public Enterprise. It will, however, be free to receive fund from:

- i) SCOPE and both Central as well as State PSEs;
- ii) UN agencies, reputed international agencies such as World Bank, EU and other multilateral bodies and organisations;
- iii) Reputed National and State Bodies,
- iv) Government Departments, Autonomous Organisations, Planning Commission, Attached and Subordinate Office, Corporation etc.

7.3 It may consider setting up a corpus fund.

7.4 The CPSEs shall ensure that every R&D project /activity to be undertaken by them shall be communicated and listed in the central data base created by HUB. Only project/activity that appear in the data base of HUB will be allotted mark during evaluation of the MoU..

7.5 Forum for Knowledge Sharing

CPSE may share the experience of R&D with other related CPSEs. Efforts may be made to conduct R&D conferences / meets of all CPSEs on an annual basis to share the experience and knowledge gained through R&D. The R&D hub can act as information repository of past and current efforts of CPSEs, a platform for sharing of experience and best practices and a forum to foster collaboration among CPSEs, and with academic institutions.

7.6 Assimilation & Usage of results

A “detailed technical report” shall be compiled by the project team. The report shall be approved by head of the unit for its contents and accuracy, The report shall be discussed with the end user (the manufacturing counterpart) for implementation. The organisation shall synchronize utilisation of the R&D results by arranging suitable infrastructure at its manufacturing plant The report, IPRs in soft form shall be available and securely archived in CPSE’s Knowledge Management portal.

7.7 Propagation and Promotion

Effective Propagation and Promotion of R&D would result in improved exchange of information between the research and development community and the rest of society.

The outcome of R&D projects may be published in various journals and presented in National & International seminars / conferences / workshops for its commercial exploitation. Advertisement in the media may also be considered depending on the type of project. The Scientists and Engineers of R&D Dept. must be encouraged to participate and present technical papers in National & International conferences / seminars / workshops.

Commercial use is the main idea for popularisation of the R&D results, as this will evoke the interest of new partners and increase the attention of the entire public for science and technology via outputs in the media, exhibitions, conferences, publications, etc.

Meticulous documentation of R&D approaches, policies, activities/ programmes, expenditures, procurement etc. should be done and put in the public domain(particularly through the internet) and made available to the National Hub for propagation and promotion.

7.8 These Guidelines may be amended by the Department of Public Enterprises from time to time with the approval of the competent authority.

8. CHECKLIST FOR EVALUATION

Checklist

- | | |
|--------------------------|---|
| <input type="checkbox"/> | Project Reference (ID) |
| <input type="checkbox"/> | Title |
| <input type="checkbox"/> | Start Date |
| <input type="checkbox"/> | End Date Proposed |
| <input type="checkbox"/> | Last Evaluation Date |
| <input type="checkbox"/> | Objectives, benefits and deliverables |
| <input type="checkbox"/> | Background & Description of the Project with list of activities |
| <input type="checkbox"/> | Baseline Survey |
| <input type="checkbox"/> | Timeline & Mileposts |
| <input type="checkbox"/> | Action Plan |
| <input type="checkbox"/> | Target achieved |
| <input type="checkbox"/> | Collaborations, if any |
| <input type="checkbox"/> | Detailed documentation on the project |
| <input type="checkbox"/> | Resources employed in terms of manpower & infrastructure |
| <input type="checkbox"/> | Budget absolute and as % of PAT |
| <input type="checkbox"/> | Expenditure incurred and estimated for the remaining period |
| <input type="checkbox"/> | Beneficiaries |
| <input type="checkbox"/> | Impact |
| <input type="checkbox"/> | Status |
| <input type="checkbox"/> | Outcome in terms of IPR filed, papers published etc. |
| <input type="checkbox"/> | Evaluation report by an independent agency |

Illustrative list of R&D activities for different Syndicates

Crude Oil Gas & Petroleum:

- ❖ Advanced fuels and lubricants,
- ❖ Fuel and Lube additives.
- ❖ Catalyst.
- ❖ Catalysts for Petrochemicals.
 - Hydrogenation and dehydrogenation.
 - Alkylation and De-alkylation.
 - Oxidation catalysts.
- ❖ Adsorbents for separation and purification processes.
- ❖ Polyolefin Catalysts.
- ❖ Reactive Extrusion of Polymers.
- ❖ Polymer Material Science.
- ❖ Degradation and Stabilization of Polymers.
- ❖ Degradable / Biodegradable Polymers.
- ❖ Refinery Processes.
- ❖ Modelling and simulation.
- ❖ Biotechnology & Bioremediation of Petroleum and Oil Spills,
- ❖ Bio-fuels & alternative fuels and energy devices.
- ❖ Development of lubricants based on nano particles.
- ❖ Crude Transportation and Blend Compatibility studies.
- ❖ Bitumen Development & Resid Upgradation.
- ❖ Chemical/ Physical analysis.
- ❖ Petrochemical integration.
- ❖ Hydrocarbon Exploration & Production (Upstream E & P).
 - Seismic processing, interpretation, Petroleum system modelling.
 - Reservoir characterization, oil & gas field development.
 - Enhanced oil recovery, well productivity enhancement.
 - Development of drilling, drilling fluid & cementing technology.
 - Oil and gas production and processing.
 - Formation evaluation & field studies.
 - Unconventional resource exploration & exploitation.

Power Generation & Transmission:

- ❖ Alternate and New & Renewable Energy Sources.
- ❖ Climate Change Issues, waste management/recycling and water management/conservation.
- ❖ Efficiency Improvement & Cost Reduction.

- ❖ Improving availability, reliability & safety of man & machines of the plants.
- ❖ Studies related to solutions to chronic problems of the plants.
- ❖ Energy conservation.
- ❖ Product development, Material development, Process modifications / development.
- ❖ Reduction in Environmental impact with introduction of new technology like:
 - GIS (Reduced Space Requirement)
 - HVDC (Reduced ROW for each MW flow)
 - 1200KV (Reduced ROW for each MW flow)
- ❖ Improving transmission system efficiency.
- ❖ Increasing Equipment Life.
- ❖ Progressively optimizing land use.
- ❖ Development of monitoring & diagnostic techniques.

Transport, Tourism & Financial Services:

- ❖ Reduction of emissions.
- ❖ Waste management.
- ❖ Relieving Urban congestion & reduction of noise level.
- ❖ Intelligent transport systems and automated freight transport.
- ❖ Safety.
- ❖ Inventory Management
- ❖ Performance based navigation system.
- ❖ New improved financial instruments.

Agriculture, Chemicals, Fertilizers and Pharma:

- ❖ Introducing Biotechnology in shortening the time needed to obtain biological products, which would result in reducing the cost and better yield.
- ❖ Increasing shelf life and reduction in time for taking the products to the consumer.
- ❖ Better storage facilities.
- ❖ Effective, environment- friendly pest control services
- ❖ Developing alternatives for Chemical Pesticides and Fertilizers.
- ❖ Promoting slow Release Fertilisers.

Electronics, Telecommunication & IT:

- ❖ Increasing communication efficiency through advanced fiber optic related research.
- ❖ Developing innovations in the semiconductor industry to allow for faster, smaller, and smarter chips,
- ❖ Innovative ICT solutions for sustainable healthcare.
- ❖ Innovative ICT solutions for energy efficiency; Dynamic pricing in the utility grid requires new electronic trading platforms. Power quality management
- ❖ Demands new decentralised monitoring and control systems and smart metering.
- ❖ Developing electronic identity management (eID) infrastructure and trustworthy services in e-government and e-commerce.

- ❖ Improving and refining Equipments, Technologies for Defence / Security: Equipments for detection of Air / Surface /Subsurface targets viz. Radars,Sonars, Command and Control Systems, Communication Systems with ECCM features, EW equipments, Day / Night vision Equipments etc.

Engineering, Transport Equipment & Consumer Goods:

- ❖ New / Alternative / Improved products,
- ❖ New / Alternative! Improved process or systems,
- ❖ New / Alternative material or equipment to be used,
- ❖ Waste management,
- ❖ Environment control,
- ❖ Stringent quality control requirements of the customers.

Steel, Minerals & Metals:

- ❖ Development of technology for removing impurities / reducing cost.
- ❖ Utilisation of fly ash.
- ❖ Utilisation of low grade minerals / ores & wastes.
- ❖ Carbon freeze sponge iron products.
- ❖ Improving energy efficiency of furnaces and waste heat utilisation.
- ❖ Process up-gradation, improvements, new product / process and new analytical techniques development.

Trading & Marketing:

- ❖ Development of new processes to reduce the cycle time / response time.
- ❖ New methods of preservation.

Contracts & Consultancy:

- ❖ Development of software to monitor timely completion of projects,
- ❖ Use of time & energy saving devices / machines,
- ❖ Inventory management,
- ❖ Developing inputs from six sigma analysis for improving processes,
- ❖ Environment management.

Any other R& D project acceptable to Task Force

Sonars, Command and Control Systems, Communication Systems with ECCM features, EW equipments, Day / Night vision Equipments etc,

Engineering, Transport Equipment & Consumer Goods:

- ❖ New / Alternative / Improved products,
- ❖ New / Alternative / Improved process or systems,
- ❖ New / Alternative material or equipment to be used,
- ❖ Waste management,
- ❖ Environment control,
- ❖ Stringent quality control requirements of the customers.

Steel, Minerals & Metals:

- ❖ Development of technology for removing impurities / reducing cost.

- ❖ Utilisation of fly ash.
- ❖ Utilisation of low grade minerals / ores & wastes.
- ❖ Carbon freeze sponge iron products.
- ❖ Improving energy efficiency of furnaces and waste heat utilisation.
- ❖ Process up-gradation, improvements, new product / process and new analytical techniques development.

Trading & Marketing:

- ❖ Development of new processes to reduce the cycle time / response time
- ❖ New methods of preservation.

Contracts & Consultancy:

- ❖ Development of software to monitor timely completion of projects,
- ❖ Use of time & energy saving devices / machines,
- ❖ Inventory management,
- ❖ Developing inputs from six sigma analysis for improving processes,
- ❖ Environment management.

Any other R& D project acceptable to Task Force

ANNEXURE-II

Illustrative list Of Project Based Performance Indicators:

For each R&D Project, performance indicator is to be identified, monitored and measured to gauge actual performance of project vis —a vis the planned performance. Illustrative list of performance indicators are as under:

1. Projected expenses vis-à-vis budget
2. Sponsored research by a CPSE or by a consortium (Oil, Power)- Expenses on sponsored research vis-a-vis benefit derived
3. Commercialization of R&D
4. Improvement in Efficiency
5. New sales generated vis-à-vis Cost incurred on R&D
6. Market share increase due to introduction of new or improved product
7. Additional profit generated vis-à-vis Cost incurred on R&D
8. Cost savings realized vis-à-vis Cost incurred on R&D
9. Productivity improvements introduced vis-à-vis Cost incurred on R&D
10. Number of technologies transferred / acquired
11. Reduce environmental Impact

12. Milestones achieved
13. Increased Reliability / Availability
14. Process development! improvement
15. Number of IPR's (patents, copyrights, etc.) filed
16. Number of papers / publications presented / published in National / International seminars / symposium/ Journals
17. Quality improvement
18. Knowledge Generation / Dissemination
19. Addition of New facilities / equipment
20. Any other indicator acceptable to Task Force

ANNEXURE-III

R&D Performance Target Setting cum Evaluation Template

1. To be Filled and Submitted by each CPSE to the Task Force prior to Annual Target Setting as well as Performance Evaluation of MoU.
2. Circuit Breaker: Any CPSE which has not got its Specific R&D Plan and R&D Budget passed by its Board will automatically be rated as "Poor" in R& D of MoU.
3. CPSE, while submitting self- evaluation report to DPE, will not fill up score allotted for each Table and the Total Score, as the same will be awarded by the Task Force at the time of performance evaluation of the MoU.

Table 1- Mandatory Parameter- Total R& D Expenditure as a percentage of PAT

		Unit	Weightage	Performance Target					Achievement
				Excellent	V. Good	Good	Fair	Poor	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Total R&D Expenditure as % of PAT (Please refer para 3.8(i) of the Guideline)		2.5						
				Total Score for this Table					2.5
				Score allotted by the Task Force					

Table 2 - Projects chosen by CPSE

At the time of draft MoU : Every year, CPSEs shall submit R&D projects (Maharatna & Navratna -Five Projects, Miniratna- I&II and other CPSEs below— Three Projects along with one most important / vital/ key Performance Indicator to Task Force at the time of draft MoU. The Task Force will approve the same or add any other R&D projects alongwith performance indicator(s).

At the time of MoU Evaluation : The verification of achievement in respect of approved performance indicator (s) and evaluation / rating of each R&D project will be done by Independent Expert/Research Advisory Committee of CPSE. Such evaluation /rating will be considered / accepted by Task Force during evaluation for allotting MoU score on R&D.

						Target Value			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Sl. No.	Projects Chosen (Annexure-I)	Performance Indicator (Annexure-II)	Weight age	Excellent	V. Good	Good	Fair	Poor	Actual
2.1	Project-1	Performance indicator							
2.2	Project-2	Performance indicator							
2.3	Project-3	Performance indicator							
2.4	Project-4	Performance indicator							
2.5	Project-5	Performance indicator							
				Total Score for this Table					2.5
				Score allotted by the Task Force					
				Total Score on R&D					5
				Total allotted Score for both Tables					

Explanatory Notes

1. Circuit Breaker: Any CPSE which has not got its Specific R&D Plan and R&D Budget passed by its Board will automatically be rated as “Poor” in R&D of MoU.
2. CPSE is not required to fill up the Score allotted for each Table as the Task Force, on consideration of actual achievement verified by Independent Expert or Research Advisory Committee of CPSE, will allot the marks on R&D of the MoU

Table 1 — a) Columns 1 to 9 are to be filled at the time of submission of draft MoU. Column 10 is to be filled only at the time of submission of performance evaluation of MoU.

b) Score conversion factor as defined in the MoU Guideline will be utilised for evaluation of the performance indicators. The final score will be arrived at by multiplying the weightage of indicator (expenditure on R&D as percentage of PAT) with the respective score conversion factor based on the actual performance.

c) Expenditure on R&D projects as a percentage of PAT, mentioned at Para 3.8 will be mandatory for all the CPSEs with 2.5 weight out of total 5 for R&D in the MoU.

Table 2 - a) Columns 1 to 9 are to be filled at the time of submission of draft MoU. Column 10 is to be filled only at the time of submission of performance evaluation of MoU.

- b) Maharatna/ Navratna CPSEs shall select 5 R&D Projects and Miniratna -I& II and other CPSEs below shall select 3 R&D projects as MoU Target (Col 2 of Table 2). CPSEs shall indicate one most important/ vital/key performance indicator against each project at the time of submission of draft Moll
 - c) Score conversion factor as defined in the MoU Guideline will be utilised for evaluation of the performance indicators. The final score will be arrived at by multiplying the weightage of each performance indicator with the respective score conversion factor based on the actual performance.
 - d) Total weightage for actual achievement / milestone in respect of R&D Projects shall be 2.5.
3. MoU score conversion factors (for Table 1 and 2) on the five-point scale are 1, 2, 3, 4 and 5 for Excellent, Very Good, Good, Fair and Poor respectively. If actual performance is equal to or more than 'Excellent' target, raw score would be 1.00. If actual performance is equal to or less than 'Poor' target, raw score would be 5.00. If actual performance falls between 'Excellent' and 'Very Good', in that case raw score would be $1 + (\text{Excellent} - \text{Actual}) / (\text{Excellent} - \text{Very Good})$. If actual performance falls between 'Good' and 'Fair', in that case raw score would be $3 + (\text{Good} - \text{Actual}) / (\text{Good} - \text{Fair})$. The raw score for the rest can be similarly calculated if the actual falls between other columns.

[DPE O.M. No. 3(9)/2010-DPE(MOU) Dated 23.9.2011]

2. Guidelines on Human Resources Management for Central Public Sector Enterprises (CPSEs)

The undersigned is directed to enclose Guidelines on Human Resources Management for Central Public Sector Enterprises (CPSEs). These Guidelines issue with the approval of Minister, Heavy Industries & Public Enterprises.

2. These Guidelines are available on DPE website:

[http://dpemou.nic.in/MOU files/HRM Guidelines.pdf](http://dpemou.nic.in/MOU_files/HRM_Guidelines.pdf)

3. CPSEs are requested to implement these Guidelines with immediate effect. However, for the purpose of Performance Evaluation under the MoU system, these Guidelines will take effect from the year 2012-13.

4. All the administrative Ministries/Departments are requested to take note of the above Guidelines and bring these Guidelines to the notice of CPSEs under their control for necessary action.

[DPE OM No.3(9)/2010-DPE(MoU) dated 29.09.2011]

CHAPTER VII

PERMANENT MACHINERY OF ARBITRATION

1. Permanent Machinery of Arbitration—regarding

Commercial disputes between Public Sector Enterprises *inter se* as well as between a Public Sector Enterprise and a Government Department (excluding disputes on income-tax, customs and excise) are settled through arbitration by Government officials or through the good offices of empowered Government agencies like BPE. After considering a note dated 8.5.1987 prepared by the Department of Legal Affairs the Committee of Secretaries in its meeting held on 26.6.1987 suggested that a Permanent Machinery of Arbitrators should be set up in BPE to settle all commercial disputes between PSEs *inter se* and between a PSE and a Government Department excluding the categories of disputes mentioned above. The Committee of Secretaries also suggested that there should be a contractual clause binding the parties to commercial contracts to refer all their disputes to this body. Committee of Secretaries also wanted BPE to bring a note for the consideration of the Cabinet for this purpose. Accordingly, BPE had prepared a note which was concurred in by the Department of Expenditure and the Department of Legal Affairs and was approved by the Cabinet in its meeting held on 24.2.1989.

2. To ensure that all PSEs include the contractual clause in all their future and current commercial contracts/supply orders/agreements etc. between PSEs *inter se* as well as between a Public Sector Enterprise and a Government Department, it is necessary that the administrative Ministries issue directives to the Chairmen/Chief Executives of the PSEs under the relevant clause of the Articles of Association of the respective enterprises or the relevant provisions of the Acts creating statutory corporations a draft of which is enclosed in Annexure-I. The procedure to be followed by the machinery in effecting settlement of disputes is also enclosed in Annexure-II. As the machinery is designed to be financially self-supporting, the disputants are required to share equally the cost of the service rendered by the machinery as would be intimated to them.

3. I would be grateful if you could issue a suitable directive to each of the PSEs under your administrative control and also communicate to them the details of the procedure to settle such disputes. You may kindly arrange to send to the BPE copies of communications sent to the PSEs.

ANNEXURE-I

Draft Directive to be issued by the Administrative Ministries to Central Public Sector Enterprises regarding settlement of dispute.

Settlement of disputes relating to commercial and other agreements between two public sector enterprises and between a public sector enterprise and a Government Department.

The question of devising an institutional arrangement for settlement of disputes regarding commercial and other agreements between a public sector enterprise and a Government Department and between two public sector enterprises has been under consideration of Government and Government have decided that such disputes should be referred to a Permanent Arbitration Machinery to be set up in the Bureau of Public Enterprises. This arbitration machinery will deal with all cases of disputes other than relating to income-tax, customs and central excise.

2. In exercise of the powers conferred by Article _____ of Articles of Association (name of the PSE/Section _____ of the _____ Act setting up (name of the PSE), the President of India is

pleased to direct that all disputes relating to commercial and other agreements between your company/corporation and another Public Sector Undertaking/Government Department shall be referred to the Permanent Arbitration Machinery set up in the Bureau of Public Enterprises. The President is further pleased to direct the following arbitration clause shall be included in all future contracts/agreements etc. and that in respect of ongoing contracts they should be suitably amended to include such a clause:

“In the even of any dispute or difference relating to the interpretation and application of the provisions of the contracts, such dispute or difference shall be referred by either party to the Arbitration of one of the Arbitrators in the Department of Public Enterprises to be nominated by the Secretary to the Government of India in charge of the Bureau of Public Enterprises. The Arbitration Act, 1940 shall not be applicable to the arbitration under this clause. The award of the Arbitrator shall be binding upon the parties to the dispute, provided, however, any party aggrieved by such award may make a further reference for setting aside or revision of the award to the Law Secretary, Department of Legal Affairs, Ministry of Law & Justice, Government of India. Upon such reference the dispute shall be decided by the Law Secretary or the Special Secretary/Additional Secretary when so authorised by the Law Secretary, whose decision shall bind the Parties finally and conclusively. The parties to the dispute will share equally the cost of arbitration as intimated by the Arbitrator.”

ANNEXURE-II

Draft outline of the procedure to be followed by the Permanent Machinery of Arbitrators in the Bureau of Public Enterprises:

In the event of any dispute or difference relating to the interpretation and application of the provisions of the contract between the parties hereto (except a dispute or difference concerning income-tax, customs and excise duties), such dispute or difference shall be referred by either party to the arbitration of one of the arbitrators in the Bureau of Public Enterprises to be nominated by Secretary to the Government of India in charge of the Bureau of Public Enterprises.

2. The Arbitration Act, 1940 (10 of 1940) shall not be applicable to the arbitration under this clause. The award of the sole arbitrator shall be binding upon the parties to the dispute. Provided, however, any party aggrieved by such award may make a further reference for setting aside or revision of the award to the Law Secretary, Department of Legal Affairs, Ministry of Law & Justice, Government of India. Upon such further reference, the dispute shall be decided by the Law Secretary or the Special Secretary/Additional Secretary when so authorised by the Law Secretary, whose decision shall bind the parties finally and conclusively.

3. After entering upon the reference, the arbitrator will call for the papers, statements/comments from the parties and will hear the parties in person as and when he deems necessary. The arbitrator will also intimate to the parties the estimated amount of arbitration fees to be borne equally by them and paid within a month of intimation to the parties. All payments should be made to the Government of India through Demand Draft or other means as indicated by the arbitrator.

4. The arbitrator shall ordinarily fix the meeting at Delhi, unless, for reasons to be recorded in writing he decides otherwise. No outside lawyers shall be allowed to appear on behalf of the parties to argue their cases before the arbitrator but the parties can take the help of their own full time Law Officers. Subject to the aforesaid procedure to be followed in the arbitration proceedings shall be determined by the arbitrator and the Law Secretary as the case may be.

5. The arbitrator shall make his award within six months after entering upon the reference or after having been called upon to act by notice in writing from any party to be the arbitration agreement or within

such extended time as the parties may allow. The arbitrator may also, if he thinks fit, make an interim award.

6. The Arbitrator may make his award ex-parte when party/parties fail to furnish the particulars required from them and/or appear in person in spite of giving two chances to do so. Even in that case, the parties shall be bound to meet the cost of arbitration equally.

7. The arbitrator shall make a speaking award. The award may be published on plain paper.

8. At the time of communicating the award, the arbitrator shall fix the final amount of arbitration fees to be paid equally by the parties within one month of such communication or within such time as may be allowed by the arbitrator in this regard.

9. In the event of the sole arbitrator dying, neglecting or refusing to act or being unable to act for any reason, it shall be lawful for the Secretary to the Government of India in charge of the Bureau of Public Enterprises, to nominate another person in place of the outgoing arbitrator to act as sole arbitrator. The new arbitrator so appointed shall as far as practicable proceed from the stage where it was left by the outgoing arbitrator.

(DPE D.O. No. 15(9)/86-BPE(Fin) dated 29th March, 1989

2. Settlement of disputes between one Government Department and another and one Govt. Department and a Public Enterprise and Public Enterprises and another.

The undersigned is directed to refer to Cabinet Secretariat OM No.53/3/6/91-Cab. dated 31st December, 1991 regarding setting up of a Committee of Secretaries in the wake of the directions of the Supreme Court. Government have accepted the views expressed by the Hon'ble Supreme Court of India that the public undertakings of Central Government and the Union of India should not file litigation in court by spending money on counsel, court fees, procedural expenses and wasting public time. As per the procedure evolved now, any litigation involving Ministries and public undertakings of Government of India before being taken up in courts or tribunal the matter be first examined by the Committee set up by Cabinet Secretary in order to get clearance for litigation. This Committee of Secretaries comprising of Cabinet Secretary, Secretary ID, Secretary DPE, Secretary Deptt. Of Legal Affairs, Finance Secretary and the concerned Secretary clear cases for litigation to be taken up with courts and tribunal.

2. There may be cases, which require appeal to ITAT, CEGAT, Railway claims Tribunal arising in the different PSEs. It has now been further decided that any Public Sector Enterprises desiring to go for appeal to ITAT/CEGAT/ Railway claims Tribunal or courts should first get each case of dispute scrutinized carefully by their Board of Directors. The Board of Directors should clearly recommend after careful examination of all aspects of the case, whether it should be taken up to the Tribunal/Court. On the recommendations of the Board of Directors that the case should go to Tribunal or Court, it will again be scrutinized by the administrative Ministry/Department concerned. Secretary to the administrative Ministry/Department would then carefully scrutinise the case in order to decide whether an appeal before Tribunal or Court is necessary and worthwhile.

3. While analysing the judgement, the Boards and Secretaries in the administrative Ministries would keep in mind the observation of the Supreme Court regarding the cost of litigation, the importance of the case, magnitude of the amount involved, repercussions in similar cases, etc. This procedure would enable proper filtering of the cases to meet the directives of the Supreme Court who are concerned about the unnecessary litigation. Only such cases that are recommended for appeal to ITAT/CEGAT/Railway Claims Tribunal and court by the administrative Secretaries of Ministries/ Departments should be put up to the aforesaid Committee of Secretaries for getting clearance for further litigation.

4. The above instructions and procedures are brought to the notice of all concerned with a request that they may please be followed carefully.

(DPE O.M. No.3/3/91-PMA dated 5th May, 1993)

3. Settlement of commercial disputes between Public Sector Enterprises inter se and Public Sector Enterprise(s) and Government Department(s) through Permanent Machinery of Arbitrators (PMA) in the Department of Public Enterprises.

The undersigned is directed to invite attention towards various guidelines issued from time to time by the Department of Public Enterprises (DPE) on the above mentioned subject and to say that a need was being felt for quite some time to revise wherever necessary, amalgamate/merge/ consolidate these guidelines into a single one. After due consideration and superceding the existing guidelines on the subject, the new dispensation is as under:

I. CREATION OF PERMANENT MACHINERY OF ARBITRATORS (PMA)

With a view to expedite the settlement of disputes relating to commercial contract(s) between Central Public Sector Enterprises (CPSEs) per se, and also between CPSEs and Government Departments, the Government of India created a Permanent Machinery of Arbitrators (PMA) in the Department of Public Enterprises in 1989. One Legal Adviser-cum-Joint Secretary in the Department of Legal Affairs, nominated by the Law Secretary to function in the PMA is appointed by the Secretary in-charge of Department of Public Enterprises as sole Arbitrator in each case.

II. NEED FOR PMA

There had been growing number of litigations with the Courts/ Tribunals relating to commercial transactions between the Central Public Sector Enterprises (CPSEs) inter se, or CPSEs and Government Departments. The practice of disposal of these cases was not only expensive due to high fees charged by the advocates/lawyers for pleading the cases and other expenses incurred in this regard, but also time consuming. The other prevailing practice of conciliation, arbitration etc. were also ad hoc arrangement and not delivering the goods up to the expectations. With a view to expedite settlement of disputes and reduce avoidable expenditure in this regard, a need was felt to institutionalize the prevailing system of arbitration. Commissions/Committees like Law Commission, Central Vigilance Commission, Committee of Secretaries etc. had also examined this aspect and made certain recommendations/suggestions which were carefully examined in consultation with the Ministry of Law. The Government after due consideration of all aspects, decided to set up the PMA in the Department of Public Enterprises.

III. ENTITLEMENT

- (i) In the event of any dispute or difference relating to the interpretation and application of the provisions of commercial contract(s) between CPSEs, Banks, Port Trusts etc. inter se, or CPSE and the Government Department(s) hereto (except a dispute or difference concerning the Railways, Income-tax, Customs and Excise duties), such dispute or difference shall be referred by either party for arbitration to the PMA in the Department of Public Enterprises through the Secretary to the Government of India in-charge of the DPE.
- (ii) The mechanism of PMA is primarily meant for Central Government Departments/organizations/enterprises. Therefore, the disputes between State Government Departments/organizations will not be entertained by the PMA. However, if the contract involves a Central Government Department/Organization with any State Government Department/Organization and both the

parties have signed Arbitration Clause in favour of PMA as per annexure referred to in subsequent paragraph V(i), in such a situation the PMA shall entertain such dispute(s) for arbitration, if any such reference is received. In case of dispute(s) with a CPSE which has been privatized due to disinvestment or other-wise, it shall also be entertained by the PMA if the same relates to the contract(s) entered into by the parties before privatization, as merely change of ownership of a PSE would not debar the company from the obligation of following PMA procedure.

IV. MONETARY LIMIT

There is no monetary limit as such for making reference of disputes to the PMA. However, it would be advisable if the parties exercise their own discretion in this regard as both the parties are to equally pay an initial cost of Rs. 20,000 each for making reference of dispute to the PMA which is non-refundable in any case but will be adjusted with final cost to be fixed by the Arbitrator as per the rates stipulated in a subsequent paragraph. There shall not be much advantage in referring disputes of a small amount of the value of less than Rs. 50,000/- to PMA and such disputes may be settled by the parties by mutual consultation.

V. REFERENCE

- (i) As far as possible parties should try to resolve as many points of dispute as they could amicably by mutual consultation and only those points stating the amount involved be referred to the PMA that could not be settled mutually despite best efforts from both sides. To ensure prompt disposal of dispute(s) by the PMA, both the PSEs and the Government Departments shall refer the existing dispute(s) to the PMA at the earliest and not later than two months of arising of dispute. If any arbitrator has already been appointed in any dispute that should immediately be cancelled. Both the parties will also ensure the inclusion of an Arbitration Clause (if not already done so) in favour of PMA (as given in Annexure) in all the existing and the future contracts/ supply orders between the parties. PMA shall not entertain the disputes referred to it without the proper Arbitration Clause.
- (ii) After entering upon the reference, the Arbitrator will call for the papers, comments/statements from the parties and will hear the parties in person as and when he deems necessary. The Arbitrator shall ordinarily fix the meeting in Delhi unless, for reasons to be recorded in writing, he decides otherwise. No outside lawyers shall be allowed to appear on behalf of the parties to argue their cases before the Arbitrator but the parties can take the help of their own full time Law officers. (Subject to the aforesaid, the Arbitrator, and the Law Secretary will determine the procedure as the case may be).
- (iii) The Arbitrator will also submit a quarterly report to the Secretary (DPE) on the number of cases registered, awards published, fee received and general progress of cases.

VI. FEES

- (i) The Arbitration cost in respect of a commercial dispute settled through the PMA is required to be shared equally by the concerned disputing parties. In this connection each of the parties to a dispute will be required to make an initial deposit of Rs. 20,000/-, when a prima-facie case of dispute is established and the same is approved for referring to the Arbitrator of PMA for settlement. This initial cost will be adjusted in the final cost of Arbitration. The Arbitrator will work out the final cost of Arbitration based on the amount of dispute as per the following formula:

- (a) Rs. 40,000 or 1% of the disputed amount up to Rs. 50,00,000, whichever is higher, to be equally shared by the parties.
- (b) Rs. 50,000 + ½% of the disputed amount of above Rs. 50,00,000 but up to Rs. 5 crore to be equally shared by the parties.
- (c) Rs. 2.5 lakh + ¼% of the disputed amount beyond Rs. 5 crore to be equally shared by the parties.
- (ii) The Arbitrator in the PMA will intimate the parties the estimated amount of Arbitration fee to be borne equally by them and paid within a month of intimation to the parties or within such time as may be allowed by the Arbitrator. All payments should be made to the Government of India through Demand Draft in favour of D.D.O., Department of Public Enterprises, payable at New Delhi.
- (iii) The Arbitrator in the PMA, if he considers appropriate, may allow fee concession up to 10% of the total fee worked out based on the laid down formula for the sick and continuously loss making CPSEs subject to arranging payment within one month of the order of the Arbitrator in the PMA.
- (iv) The party(ies), who fail to pay the arbitration fee within the stipulated period, will have to pay an additional interest on the late fee, which may or may not be waived by the Secretary(DPE). The interest on late fee will be charged at the rate of 10% of the final cost for delay up to one month and 15% for subsequent delay up to six months. If any of the parties further fails to make payment of the arbitration fee within six months of the intimation given by the Arbitrator in PMA, the publication of the award may be cancelled and the initial deposit will be forfeited. It will also be the responsibility of the concerned Administrative Ministry/Department to ensure the payment of the arbitration fee either by the concerned party or by them who will arrange the funds and enable the defaulting party to make payment of the arbitration fee without delay.
- (v) In case any of the parties has made full payment of the fee and another has failed despite continuous follow up and as a result of which publication of award is cancelled, the fee in addition to the initial deposit may be refunded to the party concerned. However, Government will not pay any interest on such amount.

VII. COMPROMISE

In case both the parties decide to settle the dispute mutually before the Award is published, they can be allowed to do so. In such case, the initial cost (Rs. 20,000 paid as deposit by each of the parties) shall be forfeited and the case will be finally closed on receipt of details of the settlement arrived at by the parties in writing. In case the parties do not provide requisite details, the Arbitrator may decide to publish the Award and in such a situation the parties will be required to pay the arbitration fee worked out by the Arbitrator.

VIII. NATURE OF AWARD

The Arbitrator shall make his award within six months after entering upon the reference or after having been called upon to act by notice in writing from any party to the arbitration agreement or within such extended time as the parties may allow. The Arbitrator shall make a speaking award. The Award may be published on plain paper. The Arbitrator may also, if he thinks fit, make an interim award.

IX. EXPARTE AWARD

The Arbitrator may make his Award ex-party when a party(ies) fail to furnish the particulars required

from them, and/ or do not appear in person in spite of being given two chances to do so. Even in that case, the parties shall be bound to meet the cost of arbitration equally.

X. APPEAL

The Award of the sole Arbitrator under the PMA shall be binding upon the parties to the dispute, provided, however, any party aggrieved by such award may make a further reference for setting aside or revision of the award to the Law Secretary, Department of Legal Affairs, Ministry of Law & Justice, Government of India. Upon such further reference, the Secretary or the Special Secretary/Additional Secretary when so authorized by the Law Secretary shall decide the dispute. The decision of the Law Secretary/Special Secretary/Additional Secretary shall bind the parties finally and conclusively. The aggrieved party may file an appeal before the Law Secretary within the period as recorded by the Arbitrator in the Award for implementation. This time limit may be kept in view while filing an appeal before the Law Secretary. The Law Secretary, after giving an award on the appeal, will return the records of the case to the PMA. The Arbitrator may also, if thinks fit, make an interim award. However, there shall be no appeal to the Law Secretary against the interim award and both the parties are to await the final award by the Arbitrator.

XI. CHANGE OF ARBITRATOR

In the event of the sole Arbitrator dying, neglecting or refusing to act or being unable to act for any reason, it shall be lawful for the Secretary to the Govt. of India in-charge of the DPE, to appoint another person in place of the outgoing Arbitrator to act as sole Arbitrator. The new Arbitrator so appointed shall as far as practicable proceed from the stage where it was left by the outgoing arbitrator.

XII. BANK GUARANTEE

In commercial transactions sometimes a PSE has to stand Bank guarantee. An incidence occurred in a dispute where the bank guarantee holder PSE approached the guaranteeing bank for encashment of the bank guarantee. Such action creates an embarrassing situation to the Government, which in its turn has given counter bank guarantee. This matter was considered in DPE and it was decided that all PSEs should effect encashment of bank guarantee only as a last resort when efforts to resolve the differences/ dispute fail and that too, after giving due notice/information to the concerned public sector enterprise. In such situations, all the PSEs should refer the dispute to this Department and cooperate with the Arbitrator of PMA for early settlement.

XIII. CLEARANCE FROM COMMITTEE ON DISPUTES

It has to be ensured that no litigation involving such disputes is taken up in a Court or a Tribunal without the matter having been first examined and given permission/clearance by the High Power Committee generally known as Committee on Disputes (COD) set up in the Cabinet Secretariat on the directions of the Supreme Court in Civil Appeals Nos. 2058-59 of 1988 between ONGC and the Collector of Central Excise, Mumbai. In case, litigation in Court/Tribunal becomes absolutely necessary, the aggrieved party(ies) will seek the permission of the COD for which the concerned Ministry/Department or the concerned PSE/Bank/Port Trust through their administrative Ministry/Department or directly may make a reference with a self-contained note in the prescribed format to the designated authority in the Cabinet Secretariat (Under Secretary – Coordination) for placing the same before the aforesaid Committee for decision.

2. All the administrative Ministries/Departments concerned with management of Central Public Sector Enterprises/Banks/Port Trusts etc. are requested to bring these guidelines to the notice of all concerned organizations under their administrative control for strict compliance. It is also requested that they may ensure and monitor the implementation of the award of the Arbitrator by the parties as per his directions. Presidential directives as per Annexure referred to in paragraph 1V(i) above, may be issued to incorporate the provisions in the Articles of Association or other relevant regulations of concerned organization(s) at the earliest.

Arbitration Clause to be included in all the commercial contracts entered into by the Public Enterprises/ Government Departments etc.

In exercise of the powers conferred by Article.....of the Articles of Association of the (name of the CPSE/Bank/Port Trust etc.)/ Section..... of theAct of setting up of the (name of the CPSE/ Bank/Port Trust etc.), the President of India is pleased to direct that all disputes relating to all commercial agreements (except income tax, customs, excise duty and also concerning Railways) between (name of Company/Corporation/Bank/Port Trust) and (name of another Public Sector Undertaking /Government Department/Bank/Port Trust etc.) shall be referred to the Permanent Machinery of Arbitrators (PMA) set up in the Department of Public Enterprises. The President is further pleased to direct that the following Arbitration Clause shall be included in all current and future contracts/agreements etc. and that in respect of ongoing contracts they should be suitably amended to include such a clause:

“In the event of any dispute or difference relating to the interpretation and application of the provisions of the contracts, such dispute or difference shall be referred by either party for Arbitration to the sole Arbitrator in the Department of Public Enterprises to be nominated by the Secretary to the Government of India in-charge of the Department of Public Enterprises. The Arbitration and Conciliation Act, 1996 shall not be applicable to arbitration under this clause. The award of the Arbitrator shall be binding upon the parties to the dispute, provided, however, any party aggrieved by such award may make a further reference for setting aside or revision of the award to the Law Secretary, Department of Legal Affairs, Ministry of Law & Justice, Government of India. Upon such reference the dispute shall be decided by the Law Secretary or the Special Secretary/Additional Secretary, when so authorized by the Law Secretary, whose decision shall bind the Parties finally and conclusively. The Parties to the dispute will share equally the cost of arbitration as intimated by the Arbitrator”.

(DPE O.M. No. DPE/4(10)/2001-PMA-GL-I dated 22nd January, 2004)

4 Settlement of commercial disputes between Public Sector Enterprises inter se and Public Sector Enterprise(s) and Government Department(s) through Permanent Machinery of Arbitrators (PMA) in the Department of Public Enterprises.

Attention is invited towards guidelines No. DPE/4(10)/2001-PMA-GLI dated 22.01.2004 issued by the Department of Public Enterprises (DPE) on the above mentioned subject. A need was being felt for quite some time to revise these guidelines, wherever necessary. After due consideration by the competent authority and in supersession of the existing guidelines on the subject, the new dispensation is as under:

I. CREATION OF PERMANENT MACHINERY OF ARBITRATORS (PMA)

With a view to expedite the settlement of disputes relating to commercial contract(s) between Central Public Sector Enterprises (CPSEs) per se, and also between CPSEs and Government Departments, the Government of India created a Permanent Machinery of Arbitrators (PMA) in the Department of Public Enterprises in 1939. One Legal Adviser-cum-Joint Secretary in the Department of Legal Affairs, nominated by the Law Secretary to function in the PMA is appointed by the Secretary in-charge of Department of Public Enterprises as sole Arbitrator in each case

II. NEED FOR PMA

There had been growing number of litigations with the Courts/Tribunals relating to commercial transactions between the Central Public Sector Enterprises (CPSEs) inter se, or CPSEs and Government Departments. The practice of disposal of these cases was not only expensive due to high fees charged by the advocates/lawyers for pleading the cases and other expenses incurred in this regard, but also time consuming. The other prevailing practice of conciliation, arbitration etc. were also ad hoc arrangement and not delivering the goods up to the expectations. With a view to expedite settlement of disputes and reduce avoidable expenditure in this regard, a need was felt to institutionalize the prevailing system of arbitration. Commissions/Committees like Law Commission, Central Vigilance Commission, Committee of Secretaries etc. had also examined this aspect and made certain recommendations/suggestions which were carefully examined in consultation with the Ministry of Law. The Government after due consideration of all aspects, decided to set up the PMA in the Department of Public Enterprises.

III. ENTITLEMENT

- (i) In the event of any dispute or difference relating to the interpretation and application of the provisions of commercial contract(s) between CPSEs, Banks, Port Trusts etc. inter se, or CPSE and the Government Department(s) hereto (except a dispute or difference concerning the Railways, Income-tax, Customs and Excise duties), such dispute or difference shall be referred by either party for arbitration to the PMA in the Department of Public Enterprises through the Secretary to the Government of India in charge of the PPE.
- (ii) The mechanism of PMA is primarily meant for Central Government Departments/organizations/enterprises. Therefore, the disputes between State Government.

2. Departments/organizations will not be entertained by the PMA. However, if a commercial contract between a CPSE and an SLPE, they agree for arbitration by the PMA for settling their dispute, the PMA guidelines will be applicable on same terms as applicable to CPSEs

IV. MONETARY LIMIT

There is no monetary limit as such for making reference of disputes to the PMA. However, it would be advisable if the parties exercise their own discretion in this regard as both the parties are to equally pay an initial cost of Rs. 20,000 each for making reference of dispute to the PMA which is non-refundable in any case but will be adjusted with final cost to be fixed by the Arbitrator as per the rates stipulated in a subsequent paragraph. There shall not be much advantage in referring disputes of a small amount of the value of less than Rs 50,000/- to PMA and such disputes may be settled by the parties by mutual consultation.

V. REFERENCE

- (i) As far as possible parties should try to resolve as many points of dispute as they can, amicably by mutual consultation and only those points stating the amount involved be referred to the PMA that could not be settled mutually despite best efforts from both sides. To ensure prompt disposal of dispute(s) by the PMA, both the CPSEs and the Government Departments shall refer the existing dispute(s) to the PMA at the earliest and not later than two months of arising of dispute. If any arbitrator has already been appointed in any dispute that should immediately be cancelled. Both the parties will also ensure inclusion of an Arbitration Clause (if not already done so) in favour of PMA (as given in Annexure) in all the existing and future contracts/supply orders between the parties. PMA shall not entertain the disputes referred to it without proper Arbitration Clause.

- (ii) After entering upon the reference, the Arbitrator will call for the papers, comments/statements from the parties and will hear the parties in person as and when he deems necessary. The Arbitrator shall ordinarily fix the meeting in Delhi unless, for reasons to be recorded in writing, he decides otherwise. No outside lawyers shall be allowed to appear on behalf of the parties to argue their cases before the Arbitrator but the parties can take the help of their own full time Law officers. (Subject to the aforesaid, the Arbitrator, and the Law Secretary will determine the procedure as the case may be)
- (iii) The Arbitrator will also submit a quarterly report to the Secretary (DPE) on the number of cases registered, awards published, fee received and general progress of Gases.

VI. FEES

The Arbitration cost in respect of a commercial dispute settled through the PMA is required to be shared equally by the concerned disputing parties. In this connection each of the parties to a dispute will be required to make an initial deposit of Rs. 20,000, when a prima-facie case of dispute is established and [he same is approved for referring to the Arbitrator of PMA for settlement, This initial cost will be adjusted in the final cost of Arbitration. The Arbitrator will work out the final cost of Arbitration based on the amount of dispute as per the following formula:

- (a) Rs 40,000 or 1% of the disputed amount up to Rs 50,00,000 whichever is higher, to be equally shared by the parties
- (b) Rs. 50,000 + 1/2% of the disputed amount of above Rs 50,00,000 but up to Rs. 5 crore to be equally shared by the parties.
- (c) Rs 2.6 lacs + 1/2% of the disputed amount beyond Rs 5 crore to be equally shared by the parties
- (ii) The Arbitrator in the PMA will intimate the parties the estimated amount of Arbitration fee to be borne equally by them and paid within a month of intimation to the parties or within such time as may be allowed by the Arbitrator. All payments should be made to the Government of India through Demand Draft in favour of (i) , (ii) ; Joint Investment of Public Enterprises, payable at New Delhi.

2. The Secretary, DPE, if he/she considers appropriate, may allow fee concession upto 25% of the total fee worked out for the sick and continuously loss making CPSEs based on the laid down formula, subject, to arranging the payment within one month of the order of the Arbitrator in the PMA

- (iii) In case any of the parties have made full payment of the fee and the other party has failed despite continuous follow-up and as a result of which publication of award is cancelled, the fee in addition to the initial deposit may be refunded to the party concerned, However, Government will not pay any interest on such amount.

If one of the parties fails to pay the arbitration fees and the other party is willing, they may pay the entire arbitration fees

If one party pays the estimated cost of arbitration fee (to be borne equally by both the parties) of the other defaulting party, this amount will be shown (along with the interest @ 1% per month/12% per annum) in the cost/expenses of arbitration against the defaulting party in the final Award.

VII. COMPROMISE

In case both the parties decide to settle the dispute mutually before the Award is published, they can be allowed to do so. In such case, the initial cost (Rs[20,000 paid as deposit by each of the parties) shall be forfeited and the case will be finally closed on receipt of details of the settlement arrived at by the parties in writing. In case the parties do not provide requisite details, the Arbitrator may decide to publish the Award and in such a situation the parties will be required to pay the arbitration fee worked Out by the Arbitrator-,

VIII. NATURE OF AWARD

The Arbitrator shall make his award within SIX months after entering upon the reference or after having been called upon to act by notice in writing from any party to the arbitration agreement or Within such extended time as the parties may allow. The Arbitrator shall make a speaking award if the Award may be published on plain paper. The Arbitrator may also, if he thinks fit, make an interim award

IX. EX PARTE AWARD

The Arbitrator may make his Award ex-parte when a party(ies) fail to furnish the particulars required from him, and/ or do not appear in person in spite of being given two chances to do so. Even in that case the parties shall be bound to meet the cost of arbitration equally

X. APPEAL

The Award of the sole Arbitrator under the PMA shall be binding upon the parties to the dispute. The aggrieved party may file an appeal before the Law Secretary within the period as recorded by the Arbitrator in the Award on implementation. This time limit may be kept in view while filing an appeal before the Law Secretary. The Appellate Authority may decide the appeal/revision on merits and set aside or revise the award. The matter cannot be remitted back to the Arbitrator for reconsideration. The Appellate Authority will have the power to revise his/her own decision for rectification of any error of fact or editorial corrections etc

The Law Secretary after giving an award on the appeal, will return the records of the case to the PMA. The Arbitrator may also, if he/she thinks fit, make an interim award. However, there shall be no appeal to the Law Secretary against the interim award and both the parties are to await the final award by the Arbitrator

XI. CHANGE OF ARBITRATOR

In the event of the sole Arbitrator dying, neglecting or refusing to act or being unable to act for any reason, it shall be lawful for the Secretary to the Govt of India in-charge of the DPE, to appoint another person in place of the outgoing Arbitrator to act as sole Arbitrator. The new Arbitrator so appointed shall as far as practicable proceed from the stage where it was left by the outgoing arbitrator.

XII. BANK GUARANTEE

In commercial transactions sometimes a CPSE has to stand Bank guarantee. All CPSEs should effect encashment of bank guarantee only as a last resort when efforts to resolve the differences/ dispute fail and that too, after giving due notice and information to the concerned Public Sector

Enterprise In such situations, all CPSEs should refer the dispute to this Department and cooperate with the Arbitrator of DMA for early settlement

2. All the administrative Ministries/Departments concerned with management of Central Public Sector Enterprises/Banks/Port Trusts etc are requested to bring these guidelines to the notice of all concerned organizations under their administrative control for strict compliance. It is also requested that they may ensure

and monitor the implementation of the award of the Arbitrator by the parties as per his/her directions. Presidential directives as per Annexure referred to in paragraph 1V(i) above, may be issued to incorporate the provisions in the Articles of Association or other relevant regulations of concerned organization(s) at the earliest

ANNEXURE to DPE O.M. No. No.4 (1)2011-DPE (PMA)-GL dated 12th June, 2013

Arbitration Clause to be included in all the commercial contracts entered into by the Public Enterprises/ Government Departments etc.

In exercise of the powers conferred by Article of the Articles of Association of the (name of the CPSE/ Bank/Port Trust etc.)/ Section, of the ...Act of setting up of the (name of the CPSE/Bank/Port Trust etc.), the President of India is pleased to direct that all disputes relating to all commercial agreements (except income tax, customs, excise duty and also concerning Railways) between (name of Company/Corporation/Bank/Port Trust) and (name of another Public Sector Undertaking /Government Department/Bank/Port Trust etc.) shall be referred to the Permanent Machinery of Arbitrators (PMA) set up in the Department of Public Enterprises. The President is Further pleased to direct that the following Arbitration Clause shall be included in all current and future contracts/agreements etc. and that in respect of ongoing contracts they should be suitably amended to include such a clause:

"In the event of any dispute or difference relating to the interpretation and application of the provisions of the contracts, such dispute or difference shall be referred by either party for Arbitration to the sole Arbitrator in the Department of Public Enterprises to be nominated by the Secretary to the Government of India in-charge) of the Department of Public Enterprises. The Arbitration and Conciliation Act, 1996 shall not be applicable to arbitration under this clause. The award of the

Arbitrator shall be binding upon the parties to the dispute, provided, however, any party aggrieved by such award may make a further reference for setting aside or revision of the award to the Law Secretary, Department of Legal Affairs, Ministry of Law & Justice, Government of India. Upon such reference the dispute shall be decided by the Law Secretary or the Special Secretary/Additional Secretary, when so authorized by the Law Secretary, whose decision shall bind the Parties finally and conclusively. The Parties to the dispute will share equally the cost of arbitration as intimated by the Arbitrator'.

[DPE O.M. No. DPE/4(1)/2011-DPE (PMA)-GL Dated 12th June, 2013]

5 Settlement of commercial disputes between Public Sector Enterprises inter se and Public Sector Enterprise(s) and Government Department(s) through Permanent Machinery of Arbitration (PMA) in the Department of Public Enterprises.

Attention is invited to the Guidelines clause X. "APPEAL" of Office Memorandum dated 12th June, 2013 issued by the Department of Public Enterprises on the subject mentioned above. The clause No X relating to APPEAL reads as under:-

"The Award of the sole Arbitrator under the PMA shall be binding upon the parties to the dispute. The aggrieved party may file an appeal before the Law Secretary within the period as recorded by the Arbitrator in the Award for implementation. This time limit may be kept in view while filing an appeal before the Law Secretary. The Appellate Authority may decide the appeal/revision on merits and set aside or revise the award. The matter cannot be remitted back to the Arbitrator for reconsideration. The Appellate Authority will have the power to revise his/her own decision for rectification of any error or for editorial correction etc.

Law Secretary, after giving an award on the appeal, will return the records of the case to the PMA. The Arbitrator may also, if he/she thinks fit, make an interim award. However, there shall be no appeal to the Law Secretary against the interim award and both the parties are to await the final award by the Arbitrator.

2. **Annexure to the DPE O.M. No. 4(1)/2011-DPE(PMA)-GL dated 12th June**

2013 relating to the Arbitration clause to be included in all commercial contracts entered into by the Public Enterprises/Government Departments etc. mentioned that the "dispute shall be decided by Law Secretary or the Special Secretary/Additional Secretary, when so authorised by the Law Secretary, whose decision shall bind the parties finally and conclusively." This was inadvertently omitted in the main body of the Guidelines relating to "Appeal". Accordingly, Clause X relating to "Appeal" of the PMA Guidelines dated 12th June, 2013 stands modified as under:-

The Award of the sole Arbitrator under the PMA shall be binding upon the parties to the dispute. The aggrieved party may file an appeal before the Law Secretary within the period as recorded by the Arbitrator in the Award for implementation. This time limit may be kept in view while filing an appeal before the Law Secretary. The Law Secretary or Special Secretary/Additional Secretary, when so authorised by the Law Secretary, may decide the appeal/revision on merits and set aside or revise the award. The matter cannot be remitted back to the Arbitrator for reconsideration. The Appellate Authority will have the power to revise his/her own decision for rectification of any error or for editorial correction etc.

Law Secretary, or as the case may be, Special Secretary/Additional Secretary, after giving an award on the appeal, will return the records of the case to the PMA. The Arbitrator may also, if he/she thinks fit, make an interim award. However, there shall be no appeal to the Law Secretary against the interim award and both the parties are to await the final award by the Arbitrator."

3. All Administrative Ministries/Departments concerned with the Management of the CPSEs/Banks/Port Trusts etc. are requested to bring this clarification to the notice of all concerned CPSEs under their administrative control for their strict compliance.

[DPE O.M. No. DPE/4(1)/2011-DPE (PMA) Dated 24th March, 2014]

6 Arbitration cases between CPSEs and other organizations.

Attention is invited to PMA guidelines contained in DPE O.M. No. 4(1)/2011-DPE(PMA)-GL dated 12th June, 2013. As per the guidelines the mechanism of PIVIA is primarily meant for disputes between Central Government Departments and Central Public Sector Enterprises (CPSEs) and disputes relating to Commercial contracts between CPSEs. It is not applicable to contracts signed between a Government Department/organisation/CPSE and a private party.

2. Accordingly all CPSEs are required to ensure that the Arbitration clause as per PMA guidelines of this Department should not be included in their contracts with private parties.

3. This issues with the approval of Secretary, PE.

[DPE O.M. No. 4(1)/2011-DPE(PMA)-GL(PMA) Dated 26th March, 2014]

7. Settlement of commercial disputes between Public Sector Enterprises inter se and Public Sector Enterprise(s) and Government Department(s) through Permanent Machinery of Arbitration (PMA) in the Department of Public Enterprises.

The undersigned is directed to refer to O.M. No.4 (1)2011-DPE (PMA)-GLdated 12th June, 2013 by which the revised PMA guidelines were issued to all administrative Ministries/Departments as well as to the Chief Executives of all Central Public Sector Enterprises (CPSEs). The last paragraph of the said guidelines mentions as under:

“All the administrative Ministries/Departments concerned with management of the Central Public Sector Enterprises/Banks/Port Trusts etc. are requested to bring these guidelines to the notice of all concerned organisations under their administrative control for their strict compliance. It is also requested that they may ensure and monitor the implementation of the award of the Arbitrator by the parties as per his/her directions. Presidential directives as per Annexure referred to in paragraph 1V(i) above, may be issued to incorporate the provisions in the Articles of Association or other relevant regulations of concerned organisation(s) at the earliest.”

2. However, the Department of Public Enterprises (DPE) is receiving representations from some CPSEs that PMA Arbitration Award is not being implemented in some cases and this results in financial distress to the concerned CPSEs, thereby negating the very purpose of setting up of the PMA. For example, a representation has been received in DPE from Heavy Engineering Corporation Ltd. regarding non-implementation of PMA award by Northern Coalfields Ltd., even after the decision was given by the Sole Arbitrator on 28th February 1997 for payment of Rs.16.87 crore to Heavy Engineering Corporation Ltd. and after the appeal of Northern Coalfields Ltd. to Law Secretary was set aside and the award of Sole Arbitrator was upheld by his order dated 30th November 1999. The Northern

Coalfields Ltd. went to the High Court against the order but its appeal was dismissed by the Hon'ble Court in 2007. Despite having no stay against the orders of the Arbitrator and Appellate Authority the Northern Coalfields Ltd. has not implemented the award and are liable to pay interest @ 18% till the payment is made. In this connection attention is invited to annexure to OPE O.M. No.4(1)/2011-DPE(PMA)-GLdated 12th June 2013, relating to the Arbitration clause to be included in all commercial contracts entered into by the Public Enterprises/Government Departments etc. where it is stipulated, inter alia, that the decision of the Appellate Authority, i.e. Law Secretary or the Special Secretary/Additional Secretary, when so authorised by the Law Secretary, shall bind the parties finally and conclusively. In this particular case, no stay has been granted, but Northern Coalfields Ltd. has made no payment to Heavy Engineering Corporation Ltd. at all.

3. All administrative Ministries/Departments are requested to ensure and monitor implementation of PMA Award of the Arbitrator by the parties as per his/her directions and Presidential directive may be issued as advised in the revised guidelines referred above. The administrative Ministries/Departments are also requested to keep in mind that implementation of DPE guidelines, including PMA guidelines, is a factor taken into account for evaluation purpose of the CPSE under the MoU system and they may advise the CPSEs under their control accordingly.

4. This issues with the approval of Secretary, DPE.

(DPE O.M. No. DPE/7(3)/2014-DPE (PMA Dated 14th July, 2014)

CHAPTER VIII

VOLUNTARY RETIREMENT SCHEME (VRS)

1. Introduction of a revised Voluntary Retirement Scheme (VRS).

The Government had announced a Voluntary Retirement Scheme (VRS) vide OM No. 2(36)/86-BPE(WC) dated 5th October, 1988. Government have revised the scheme to make it more efficacious having regard to both, the interests of the employees and the need to enable Public Sector Enterprises (PSEs) to rationalize their surplus manpower.

2. Enterprises, which are financially sound and can sustain a scheme of VRS on their own surplus resources may devise and implement variants of the existing VRS cited in para 1 above. However, in no case shall the compensation exceed 60 days salary for each completed year of service or the salary for the number of months service left, whichever is less. Salary for the purpose of VRS shall consist of basic pay and DA only and no other element.

3. Enterprises that make marginal profits or loss-making enterprises may adopt the revised scheme of VRS, which is modelled on the Scheme that exists in the State of Gujarat. The details of the scheme are set out hereunder:

- (i) The compensation will consist of salary of 35 days for every completed year of service and 25 days for the balance of service left until superannuation. The compensation will be subject to a minimum of Rs. 25,000/- or 250 days salary whichever is higher. However, this compensation shall not exceed the sum of the salary that the employee would draw at the prevailing level for the balance of the period left before superannuation.
- (ii) Salary for purpose of VRS will consist of basic pay and DA only.
- (iii) Arrears of wages due to revision etc. will not be included in computing the eligible amount.
- (iv) Payment of bonus should conform to the provisions in the Bonus Act; Casual Leave may be encashed in proportionate measure upto the date of VRS.

4. A suitable variant of the arrangement in para 3 above may be developed by the Ministry of Textiles in respect of Textiles units subject to the conditions attached thereto.

5. For sick and unviable units, the VSS package of Department of Heavy Industry will be adopted. As a corollary, the VSS scheme may be modelled on Gujarat pattern and be made applicable as in para 3 above. However, employees would have to opt for VSS within 3 months from the date of offer failing which they would be eligible only for retrenchment compensation. The details of VSS are as under:-

- (i) An employee would be entitled to an ex-gratia payment equivalent to 45 days emoluments (pay + DA) for each completed year of service or the monthly emolument at the time of retirement multiplied by the balance months of service left before the normal date of retirement, whichever is less;
- (ii) All those who have completed not less than 30 years of service, will be eligible for a maximum of 60 (sixty) months salary/wage as compensation. This will be subject to the amount not

exceeding the salary/wage for the balance period of service left (at the rate of monthly salary/wage at the time of voluntary retirement).

6. The compensation under VRS/VSS will be in addition to terminal benefits.
7. Employees of industrial cooperatives with Government equity participation and who are not members of the cooperative will also be covered under the VRS.
8. Budgetary support will be provided to the marginally profit or loss making enterprises and to the sick enterprises for implementing VRS only in case bank credit is not available. The funds would normally be made available at the beginning of the financial year. However, before seeking budgetary support in cases of unviable/sick PSUs other sources of funding should be fully explored such as asset securitization and bank loans against Government guarantee for funding VRS/VSS.
9. VRS will be applicable to the permanent employees, badli workers, work charged established and temporary workers but not to the casual workers. There will be no recruitment against vacancies arising due to VRS.
10. It will be the responsibility of the concerned administrative Ministry to assist those opting for VRS in getting loans from banks for pursuing gainful self-employment.
11. NRF in its present form will cease to exist. The funds required for retraining/rehabilitation of employees availing of VRS will be placed with the Department of Public Enterprises under arrangements to be evolved.
12. In implementing the VRS scheme, managements shall ensure that it is extended primarily to such employees whose services may be dispensed without detriment to the company. Care will be exercised to ensure that highly skilled and qualified workers and staff are not given the option. As there shall be no recruitment against vacancies arising due to VRS – it is important that the organization is not denuded of talent. The managements of the PSUs shall introduce the VRS with the approval of their Boards and the administrative Ministries.
13. The administrative Ministries/Departments are requested to bring the details of the Voluntary Retirement Scheme and the Voluntary Separation Scheme to the notice of the Public Enterprises under their administrative control and to ensure that PSEs implement the schemes strictly in accordance with the provision set out herein.
14. This O.M. supersedes O.M. No. 2(36)/86-BPE(WC) dated 5th October, 1988 and subsequent circulars issued on the subject.

(DPE O.M. No. 2(32)/97-DPE(WC)/GL-XXII dated 5th May, 2000)

2. Voluntary Retirement Scheme/Voluntary Separation Scheme for the employees of Public Enterprises.

The parameters on the basis of which the VRS could be formulated by the PSUs for their employees have been spelt out in this Department's OM of even number dated 5.5.2000. However, there are certain points on which clarifications have been solicited by the PSEs as well as the administrative Ministries/Departments. These points have been examined in the Government. The points as well as the clarifications are given here under:-

1. Whether allowances like Personal Pay, HRA, NPA, Family Planning increment are to be included for computation of ex-gratia? Basic pay plus DA only is to be taken into account for computation of ex-gratia under VRS.

2. Whether the post of the employee who has taken VRS is to be abolished?	There shall be no recruitment against vacancies arising out of VRS.
3. Whether any arrears of ex-gratia are to be paid in the event of pay revision being sanctioned subsequent to voluntary separation?	Ex-gratia will be re-calculated on the basis of revised pay scale and the difference be paid.
4. Can notice pay in lieu of notice and TA for settling in the Home Town or elsewhere be paid to the employees who are to opt or have opted for VRS?	One month/three months notice pay (as per service conditions applicable to the employees) may be paid. TA for the employees and family would also be admissible to the place where he intends to settle down after taking VRS. For this purpose, the entitlement will include transportation cost of personal effects and travelling cost of self and family members, as admissible under the entitled classes.
5. Under the Gujarat pattern, will the compensation for the balance service be calculated @ 25 days for every year of service left?	Compensation under VRS modelled on the Gujarat pattern will consist of salary of 35 days for every year of service completed and 25 days for every year of service left until superannuation.
6. Under VSS, will the employee be entitled for 60 months salary even if he has not completed 30 years of service?	No.
7. 60 months salary as ex-gratia is permissible under VSS scheme of Department of Heavy Industry. If the VSS scheme is modelled on Gujarat pattern (para 5 of O.M. dated 5.5.2000), will the employee be still entitled for 60 months salary if he has completed 30 years or more service?	Sixty months salary as compensation is attached to VSS package of the Department of Heavy Industry only and not under the Gujarat model.
8. Whether PF, leave encashment, gratuity, notice pay, LTC are payable to employees in case of voluntary retirement?	These are to be paid to the employees opting for VRS as per the provisions of the relevant statutes and the service conditions. These are outside the computation of ex-gratia on voluntary retirement.
9. Is any minimum qualifying service necessary for opting for VRS?	No age bar or minimum qualifying service is prescribed.
10. Do the companies have the choice to opt for either the Gujarat model or VSS on DHI model for the sick and unviable units?	The Boards of the sick and unviable PSUs are obliged to offer VSS on DHI pattern to the employees. The Board have the option to offer, in addition, VRS on Gujarat pattern, in which event the employees will have a choice between the two schemes.
11. The managements have the right to reject the VR application of certain employees as they have to ensure that the company is not denuded of talents.``	The cases of such employees will be covered under the final settlement on closure of the unit. If the benefit of VSS is extended on

In that case, what would be the treatment given to such employees who have been retained by the management in case the PSU is closed. Will they be offered VSS in case the PSU is closed. Will they be offered VSS even after a lapse of three months or will they be paid retrenchment compensation under ID Act?

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| 12. Whether Casual Leave may be encashed up to the date of notification of VRS or actual date of relief of employee? | CL may be encashed on pro-rata basis up to the date of relief of employee. |
| 13. What would be the compensation payable in case where the balance of service left under superannuation is less than 250 days and sum of the salary for the balance period is less than Rs. 25000/-. | The computation is explained in the enclosure. |
| 14. Whether the notice period pay is to be paid in addition to 60 months salary as compensation in case an employee has completed 30 years of service and the remaining period of service is 75 months. | <p>If the application of an employee for voluntary retirement is accepted instantaneously and payment is arranged by the management on the same day, the concerned individual would be entitled to payment of ex-gratia along with the notice period pay. It is, however, clarified that payment of ex-gratia for service rendered or left over service before superannuation as well as the amount payable for the notice period should not exceed the basic pay plus DA that would have been paid to the employee who has opted for voluntary retirement till the date of his superannuation. For example, if an employee opts for voluntary retirement a few months before the date of superannuation, say at 57 years and 10 months, the payment should be restricted to 2 months basic pay plus Dearness Allowance.</p> <p>In circumstances where the management takes time to take a decision about the acceptance of an application submitted by the employee for voluntary retirement and allows the notice period to lapse or the individual concerned has drawn full salary during the notice period served by him, in these cases notice period pay would not be admissible as the individual has already drawn the salary during the notice period.</p> |
| 15. Whether it is mandatory to introduce new VR Scheme or continue with the existing scheme? | The new scheme has been introduced in supersession of the old scheme. |
| 16. If the VRS is implemented in the middle of any particular month, whether full months salary is to be computed for VRS purpose? | An employee is entitled to payment of salary till the date of voluntary retirement, regardless of the date of implementation of the VRS. As for computing the completed years and months of |

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| | service for the purpose of ex-gratia, the datum will be the date on which the employee in question had joined service. |
| 17. If the employee has completed 20 years and 9 months service whether he will be paid compensation for 20 years service or compensation for 20 years of service plus proportionate days salary for the nine months service also? | The calculation would have to be based on every completed year of service or part thereof. The part of the complete year served shall be entitled for ex-gratia on pro rata basis. |
| 18. Whether service rendered in other PSEs would be taken into account for purpose of computation of VRS from the latter employing organization? | This would be taken into account only on transfer of cash equivalent of Earned Leave and Provident Fund. Gratuity would be as per the provisions of the Act. |
| 19. Will notional pay revision from 1992 and 1997 be taken for computation of VRS/VSS benefits? | In the new VRS/VSS scheme, there is no scope for computation of the ex-gratia on notional salary revision. |
| 20. Will encashment of sick leave at the time of taking VRS/VSS be permissible? | Encashment of sick leave has nothing to do with VRS/VSS. Its encashment will depend on the management decision, based on the service conditions. |
| 21. Will the casual workers be included for the purpose of VRS/VSS who have completed more than 20 years of service? | Casual workers will not be entitled for VRS/VSS. Refer to para 9 of O.M. dated 5.5.2000. |
| 22. Whether the contract employees appointed on contract basis can be considered as temporary employees for purposes of VRS? If yes, how the compensations would be calculated? | Contract employees are outside the purview of VRS. |
| 23. How would the computation of ex-gratia (VRS) under Gujarat pattern be done? | As per enclosure. |

All the administrative Ministries/Departments of the Government of India are requested to bring the foregoing clarifications to the notice of the Public Enterprises under the administrative control for their information and necessary action.

ENCLOSURE

VRS COMPENSATION UNDER GUJARAT PATTERN

Computation of one Day's Salary in Gujarat Pattern

Basic + DA

Rs. 7000 + Rs. 2500 = Rs. 9500

Rs. 9500 26 days = Rs. 365.38 (one day's salary)

Completed 32 years service.

32 Yrs. X 35 days X Rs. 365.38 = Rs. 409225.60

NOTE: (i) for computation of one day's salary 26 days a month is taken.

similar is for the remaining period of service left.

Remaining 3 years service:

3 years X 25 X Rs. 365.38 = Rs. 27403.50

Total amount payable: Rs. 409225.60 + Rs. 27403.50 = Rs. 436629.10

Amount to be paid shall be restricted to: 3 X 12 = 36 months

Total amount to be paid as VRS compensation: 36 X Rs. 9500 = Rs. 342000/-

NOTE: The payable amount would have to be restricted to Rs. 3,42,000/-.

(DPE O.M. No. 2(32)/97-DPE(WC)GL-XXXV dated 8th December, 2000)

3. Further modification in the revised Voluntary Retirement Scheme.

The Government have decided further to modify, with immediate effect, the Revised Voluntary Retirement Scheme for Central PSUs introduced vide this Department's O.M. of even number dated 5th May, 2000 as under:-

- a) Ex-gratia payment in respect of employees on pay scales at 1.1.87 and 1.1.92 levels, computed on their existing pay scales in accordance with the extant scheme, shall be increased by 100% and 50% respectively.
 - b) The option of the Gujarat or the DHI pattern shall be available to the employees of marginally profit/loss making, as well as sick and unviable units.
 - c) Under the Gujarat pattern, the salary for VRS/VSS shall be calculated on the basis of 30 days in a month and not 26 days. Consequently, the method of calculation of ex-gratia for VRS and VSS shall be similar.
 - d) Once an employee avails himself of voluntary retirement from a PSU, he shall not be allowed to take up employment in another PSU. If he desires to do so, he shall have to return the VRS compensation received by him to the PSU concerned. Where the compensation was paid out of a Government grant, the PSU concerned shall remit the refunded amount to the Government. In case the PSU is already closed/merged, the VRS compensation shall be returned directly to the Government.
2. All other provisions of the DPE guidelines dated 5.5.2000 are to continue.
 3. The clarifications given in the DPE's O.M. of even number dated 8th December, 2000 stand modified in consequence of the foregoing.
 4. The employees, who have already been released by the PSUs before the date of issue of this O.M., shall not be covered under the modified scheme.
 5. The administrative Ministries/Departments are required to bring the modified VRS/VSS to the notice of the public enterprises under their administrative control and ensure strict compliance with the provisions of the scheme.

(DPE O.M. No.2(32)/97-DPE(WC)/GL-LVI dated 6th November, 2001)

4. Voluntary Retirement Scheme/Voluntary Separation Scheme for the employees of Public Enterprises.

The parameters on the basis of which the VRS could be formulated by the PSEs for their employees have been spelt out in this Department OM of even number dated 5.5.2000 and 6.11.2001. However, there are certain points on which some more clarifications have been solicited by the PSEs as well as by the administrative Ministries/Departments. These points have been examined. The points raised as well as the clarifications thereon are given here under:—

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| 1. Whether computation of VRS compensation would be on pro-rata basis for both part of completed year of service and the part of the remaining period of service? | DPE's clarification (dated 8.12.2000 – Item 17) states that calculation of compensation would be on the basis of completed years of service or part thereof. The part of the year served shall be entitled for ex-gratia on pro-rata basis. Logically, this pro-rata calculation should also be on the remaining part of service. |
| 2. Whether compensation of VRS @ 26 days a month would be allowed even for VRS optees who have gone out before 5.5.2000? | Till 5.11.2001, calculation of VRS @ 26 days a month was allowed under the Gujarat pattern only. As there was no concept of Gujarat pattern VRS before 5.5.2000, the employees who have already opted VR under the 5. 10.88 guidelines would be covered under 30 days a month. |
| 3. Can the past service with all PSEs be considered for computation of VR? | If the service with each PSU is continuous (without break) and PF and Earned Leave have been transferred from one PSU to other PSU, then past service may be counted in case the employee avails himself of VRS/VSS as per the scheme notified by DPE's OM dated 5.5.2000. |
| 4. Whether an employee whose pay revision was effected from 1.1.1992 and having one year balance service left would be entitled for 50% increased compensation as per DPE's OM dated 6.11.2001? | The compensation has to be first worked out in accordance with DPE's OM dated 5.5.2000 along with the riders. Thereafter, the recent amendment issued vide OM dated 6.11.2001 would be applied to determine compensation payable in both the cases of VRS/VSS. |
| 5. Whether the executives/non-executives whose scales of pay have been revised with effect from 1.1.1992 but no further revision has taken place are entitled to 50% increase on their existing pay scales? | Yes, the executives/non-executives who got the benefit of revised scales of pay effective from 1.1.1992 as per DPE's OM's dated 12.4.93, 17.1.94 and 19.7.95 are entitled to 50% increase in compensation. |
| 6. Whether the payments made as ex-gratia (with 50% increase), gratuity, leave encashment and pay arrears are recalculated in case pay revision would be allowed at later date w.e.f. 1.1.97? | Ex-gratia will be recalculated on the basis of revised scales of pay in case the revised scales of pay are made effective subsequently (actually with effect from 1.1.1997). The increased ex-gratia (50%) paid would also be adjusted. The other elements like gratuity, leave encashment etc. are to be paid as per the provisions of the relevant statutes and service |

- conditions. These are outside the computation of ex-gratia on voluntary retirement.
7. Whether the encashment of casual leave is permitted only in Gujarat pattern? Please see item 8 of DPE guidelines on VRS dated 8.12.2000.
 8. Whether the employees who have completed 30 years of service are eligible for ex-gratia amount subject to a maximum of 60 months both under DHI pattern and Gujarat pattern VRS? Please see item 7 of DPE guidelines on VRS dated 8.12.2000.
 9. Whether the workman and staff wage revision effected from different date other than 1.1.87 and 1.1.92 are entitled for the benefit of 50% or 100% increase? If so, at what basis? Any wage revision permitted by the PSEs for a period prior to the date of effect from 1.1.92 would be treated at '87 level. Similarly, any wage revision permitted by the PSEs for a period commencing before 1.1.97 would be treated as at '92 level. The increase in ex-gratia compensation of 100% or 50% would be effected accordingly. This would also be followed in the cases of workers/staff not covered by DPE guidelines.
 10. Whether leave salary and gratuity payment would be made on the basis of increase in compensation as 50% or 100%? Please see item 8 of DPE guidelines on VRS dated 8.12.2000.

(DPE O.M. No. 2(32)/97-DPE(WC) dated the 28th February, 2002)

5. Further modification in the revised Voluntary Retirement Scheme (VRS).

In continuation of modification vide OM No.2(32)/97-DPE(WC) dated 6.11.2001 in the revised Voluntary Retirement Scheme introduced for Central Public Sector Enterprises (CPSEs) vide this Department OM No.2(32)/97-DPE(WC) dated 5.5.2000, the Government have decided to further modify the scheme with immediate effect as under:

- Payment of ex-gratia amount under Voluntary Retirement Scheme in respect of employees in CPSEs following Central Dearness Allowance (CDA) pattern of pay scales at 1.1.1986 level computed on their existing pay scales in accordance with the extant scheme of VRS shall be increased by 50%.
2. All other provisions of the DPE guidelines dated 5.5.2000 and 6.11.2001 shall continue to be operative.
 3. The employees who have already been released by the CPSEs before the date of issue of this OM shall not be covered under this modified scheme.
 4. The administrative Ministries/Departments are requested to bring the aforesaid modification in the VRS/VSS to the notice of the CPSEs under their administrative control and to ensure strict compliance with the provisions of the scheme.

(DPE O.M. No. 3(21)/01-DPE(WC)/GL-XII dated 26th October 2004)

6. Further clarifications on DPE's O.M.s on Voluntary Retirement Scheme (VRS) / Voluntary Separation Scheme (VSS).

Reference is invited to DPE's O.M. No. 2(32)/97-DPE(WC)/GL-XXXV dated 8.12.2000, O.M. No. 2(32)/97-DPE(WC)/GL-LVI dated 6.11.2001 and O.M. No. 2(32)197- DPE(WC) dated 28.2.2002 regarding clarifications on implementation of Voluntary Retirement Scheme (VRS)/Voluntary Separation Scheme (VSS) in Central Public Sector Enterprises (CPSEs). Further clarifications on some of the issues related to VRS/NSS Policy are annexed.

Example for Calculation of VRS ex-gratia arrears

Assumptions:

- (i) VRS (on DHI pattern) takes place in the CPSE on 01.01.2012
- (ii) 2007 Pay Scales have been extended retrospectively to the employees of the sick CPSE w.e.f. 01.01.2007
- (iii) Arrears paid to all employees w.e.f. 01.01.2007
- (iv) Employee in E-5 grade completed 30 years of service with left over period of five years (i.e. 60 months)

(Figures in Rupees)

Before the implementation of 2007 pay scales	After the implementation of 2007 pay scales
E-5 Scale (Pre-revised) 16000- 400-20800	E-5 Scale (2007 scale) 32900 — 58000
Ex-gratia payment will be paid @ 45 days (1% months) emoluments (Basic pay + D.A.) for each completed year of service. Hence for 30 years of completed years, it would be 45 months. Since this is less than 60 months of left over service, 45 months would be considered for the purpose of calculating the ex-gratia.	As already mentioned in the previous column, 45 months would be considered for the purpose of calculating the ex-gratia.
Basic pay - 16,000	Basic pay - 32,900
D.A. (164.6 %)/0 - 26,336	D.A. (56.7%) - 18,654
Total for 1 month 42,336	51,554
Amount of ex-gratia payable to the employee: 42,336 x 45 = 19,05,120	Amount of ex-gratia payable to the employee: 51,554 x 45 = 23,19,930
	Difference to be paid: 4,14,810 (23,19,930 minus 19,05,120)

Further Clarifications on DPE's O.M. No. 2(32)/97-DPE(WC)/GL-XXXV dated 8.12.2000, O.M. No. 2(32)197-DPE(WC)/GL-L.V1 dated 6.11.2001 and O.M. No. 2(32)/97-DPE(VIC) dated 28.2.2002 on clarifications on VRSNSS Policy			
Sl. No.	Reference	Query	Reply
1.	O.M. Dated 8.12.2000 (Sl. No.:3 of the Clarifications)	Whether any arrears of ex-gratia are to be paid in the event of pay of revision being sanctioned subsequent to voluntary separation?	After revision of pay takes place in a CPSE, ex-gratia is to be recalculated on revised pay the basis and the difference needs to be paid as arrears, if the benefit of revised scales of pay is allowed retrospectively. An example is annexed.
2.	O.M. Dated 8.12.2000 (Sl. No.19 of the Clarifications)	Will notional pay revision from 1992 and 1997 be taken into account purpose of computation of VRSA/SS benefits?	The Clarification given viz. In the new VRSNSS scheme, there is no scope for for computation of the ex-gratia on notional salary revision" is based on DPE's O.M. dated 25.6.1999 on Revision of Scales of pay w.e.f. 1.1.1997 in respect of Board level and below Board level posts. In this O.M., it is mentioned that there should be no notional revision of pay for the purpose of determining of VRS in sick enterprises.
3.	O.M. Dated 8.12.2000 (Sl. No.20 of the Clarifications)	Will encashment of sick leave at the time of taking VRS NSS be permissible?	Since Government's guidelines do not permit encashment of sick leave, the same cannot be en-cashed. Encashment of EL however, shall be governed by DPE O.M dated 24.4.1987, 05.08.2005, 10.12.2008 and 26.10.2010.
4.	O.M. Dated 8.12.2000	Computation of one day Salary under Gujarat	There was a typographical error in the earlier clarification dated 08.12.2000 and it should read
5.	O.M. Dated 6.11.2001 [Para 1(c) of the Clarifications]	pattern, Under the Gujarat pattern, the salary for VRSNSS shall be calculated on the basis of 30 days in a month and not 26 days. Consequently, the method of calculation of ex-gratia for VRS and VSS shall be similar.	as "Rs.9500/26 days for corn • utin • one da 's sale initially, computation of one day's salary under Gujarat model was based on 26 days a month. As this calculation created confusion in the matter of calculation of one day's salary in other models of VRS, it has been decided that under the Gujarat pattern also, the salary for VRSNSS shall be calculated on the basis of 30 days in a month and not 26 da s.
6.	O.M. Dated 28.2.2002 (Sl. No.7 of the Clarifications)	Whether the encashment of casual leave is permitted only in Gujarat pattern?	There was a typographical error in the earlier clarification dated 28.02.2002. It should read as item no. 12 (and not item no.8) of DPE guidelines on VRS dated 8.12.2000 wherein it was clarified that "Casual leave may be en-cashed on pro-rata basis up to the date of release of employee."

[DPE O.M-19(5)/2013-DPE (CRR) dated. 31th March, 2014]

CHAPTER IX

COUNSELLING RETRAINING AND REDEPLOYMENT (CRR)

1. Scheme for Counselling, Retraining and Redeployment of Separated Employees of Central Public Sector Enterprises

1. Objective

1.1 The objective and scope of the Counselling, Retraining and Redeployment Scheme (CRR) is to provide opportunities of counselling, retraining and redeployment to the separated employees of Central Public Sector Enterprises (CPSEs) rendered surplus as a result of modernization, technology upgradation and manpower restructuring in the PSEs. The aim of retraining of the employees is to reorient them through short duration training programmes to enable them to adjust to the new environment and adopt new avocations after their separation from the PSEs due to VRS/VSS or retrenchment due to closure/restructuring of the enterprise. While it will not be possible to commit that the employees so restructured or retrenched would be provided with alternative employment, yet it should be desirable to reorient such employees so that they may engage themselves in income generating activities and take advantage of available opportunities of self-employment.

1.2 The counselling and training programmes will accordingly be planned in order to equip them with skills and orientation to engage themselves in self-employment activities and rejoin the productive process even after their separation from the CPSEs. Redeployment of rationalized employees in gainful activities implies that they have been brought into the mainstream of economy. This also implies that they are contributing to national income. Self-employment of VRS optees results in multiplier effect as it provides avenues for additional employment generation.

2. Background

2.1 Government had setup a National Revival Fund (NRF) in February, 1992 as a safety net for workers affected by re-structuring arising out of the new industrial policy. The objective was to provide funds, where necessary, for continuation of employees affected by restructuring or closure of industrial units both in the public and private sector and to provide funds for employment generation schemes both in the organized and unorganized sectors to provide social safety net. Counselling, Retraining and Redeployment of rationalized employees formed a part of NRF, which had been meeting expenses towards voluntary retirement of CPSE employees as also for rehabilitation of employees of the organized sector consisting of CPSEs, State PSEs and private sector.

2.2 The Voluntary Retirement Scheme (VRS) for employees of central PSEs was revised in May, 2000. With the revision of VRS Scheme, the NRF being administered by the Department of Industrial Policy & Promotion ceased to exist and the activities of counseling, retraining and redeployment provided to separated employees from CPSEs and the organized sector under NRF converged under the Scheme of Counselling, Retraining and Redeployment (CRR) for the rationalized employees of Central Public Enterprises under implementation by Department of Public Enterprises (DPE) since 2001-02.

3. Salient Features of the Scheme

3.1 The three main elements of the CRR Scheme and the eligibility criteria are as follows:-

3.2 **Counselling:** Counselling is the basic pre-requisite of the rehabilitation programme of the separated employee. The separated employee needs psychological counselling to absorb the trauma of loss of assured livelihood and to face the new challenges both for himself and for the members of his family who may continue to depend upon him. He particularly needs supports to plan his compensation amount and other financial benefits he receives from the CPSE due to his separation, so that his limited funds are managed prudently and not wasted on immediate consumption or non-productive expenditure. Thirdly, he needs to be made aware of the new environment of market opportunities so that he may, depending upon his aptitude and expertise, take up economic activities and continue to be in the production process.

3.3 **Retraining:** The objective of such training is to help the separated employees for rehabilitation, The trainees will be helped to acquire necessary skills/expertise/orientation to start new avocation and re-enter the productive process after loss of their jobs. These training programmes will be short duration programmes of 30/45/60 days according to the trade or activity as decided.

3.4 **Redeployment:** It will be the endeavour to redeploy such rationalized employees in the production process through the counselling and retraining efforts. At the end of the programme, VRS optees should be able to engage themselves in alternate vocations of self-employment. Although there cannot be any guarantee that the rationalized employee will be assured of alternate employment, yet possible help from the identified nodal training agencies as well as from the CPSEs concerned would be extended to them for starting new avocations. Depending upon the choice of the trainee, the nodal agency/CPSE will also sponsor their applications for seeking financial assistance from commercial banks and other institutions under various schemes of self-employment.

3.5 **Eligibility:** In order to be eligible to be included in the Scheme, the VRS optee should be below 58 years of age. Although the focus of the Scheme would be to extend the benefit to VRS optees, one person per family of a VRS optee could also be considered in lieu of eligible VRS optee, if the optee himself is not coming forward. However, VRS optees would be given priority over the family members. Following eligibility criteria will apply for including the dependents of VRS optees under CRR Scheme:

- Minimum age — 18 years.
- Maximum age — 58 years.
- Only one dependant, that too who is unemployed, will be considered from each family.

4. Implementation of the Scheme

4.1 **Selection of Nodal Agencies:** Under CRR Scheme, training programmes under various modules will be imparted by the selected Nodal Agencies through their Employees Assistance Centres (EACs) located in various States. The policy framework of CRR Scheme is conducive for implementing the Scheme in Public Private Partnership (PPP) mode, as different types of agencies viz. semi government organizations, autonomous bodies, NGOs/private bodies can be associated with its implementation. In order to have transparency, advertisement for inviting Expression of Interest (EoI) along with terms and conditions and profile proforma will be uploaded on DPE's website. With an aim to have wider coverage and to engage new organisations, it will

also uploaded on Directorate General of Employment & Training (DGE&T)'s website, which is associated with training on various skill development training programmes.

4.2 The criteria for selection of nodal agencies include infrastructure, faculty, and training facilities available with the agency, its past experience in the field of training under social safety net or similar programmes catering to various CPSEs under its network, etc.

4.3 **Selection Committee:** There will be multi-functional Selection Committee under the Scheme entrusted with the task of selecting - (a) nodal agencies/new EAC; (b) Institute/Organisation for undertaking evaluation/concurrent monitoring of the Scheme; and (c) trades/areas of training requiring longer duration, and related issues under the Scheme including periodical review or progress. The Selection Committee will be headed by Joint Secretary, DPE, Ministry of Heavy Industry and Public Enterprises. The representatives from Planning Commission, Ministry of Labour and Employment, Ministry of Finance and Ministry of Micro, Small and Medium Enterprises will be members of the Committee.

4.4 **Annual Action Plan:** Before commencement of the training programme, nodal agencies will submit Annual Action Plan for the particular financial year based on identified number of VRS optees - Trade wise, EAC wise and CPSE wise. The Action Plan will contain various activities proposed during the year. Based on Action Plan and past performance of nodal agencies, DPE will assign physical target. Nodal agencies will prepare gender/weaker section responsive Action Plan so as to achieve the objectives of gender equality and human development. With a view to extend the benefit of CRR Scheme to rationalized women employees/ SC & ST members, preference would be given to these section. Preference will also be given level functionaries who have opted for VRS i.e. workmen as well as supervisory staff. On the basis of Annual Action Plan, DPE will assign physical target to the nodal agencies.

4.5 **Assigning Physical Target:** EAC-wise sanction of physical and financial targets to nodal agencies would be linked with reference to providing more professional post-training services to individual VRS optees, achievement of redeployment, providing support for sanction of loans and successful start/operation of units. Following procedure needs to be strictly adhered:

- (i) Change in location of EAC by the nodal agency on its own is not permitted. Only in special circumstances, if a nodal agency submits a request in writing well in advance, DPE will consider such request. DPE's prior written permission is mandatory for any change in location of EAC. Any agency found guilty of changing EAC on its own will be liable to be debarred from CRR and will have to refund the sanctioned money.
- (ii) Once EAC-wise physical targets are allocated, it is to be achieved at the specified EAC as per schedule. Neither any shortfall in achievement of individual target for EAC nor shifting of target from one EAC to another is permissible.
- (iii) If the nodal agency fails to achieve the assigned physical target at a particular Employee Assistance Centre (EAC), the sanctioned money has to be refunded and detailed note in this regard needs to be furnished.

4.6 **Financial Assistance to Agencies:** Financial assistance will be provided to the nodal agencies by the DPE out of the budgetary allocation after taking into account factors such as hiring of space, salary/honorarium of faculty members and supporting staff, cost of training material, pre-operative expenses to the trainees, office expenses, and cost of follow up services including, project profiles, application to banks etc. and as per specific norms of expenditure fixed by the DPE.

4.7 Expenditure Norms: To incur expenditure for undertaking various activities by the nodal agencies, following expenditure norms will be applicable:

Sl. No.	Particulars	Training Programme of		
		30 days	45days	60days
1.	Preparatory Works (Awareness-cum-motivation, survey and publicity, counseling process etc.	700	700	700
2.	Office Expenses (on infrastructure, office equipment, salary, stationary magazines etc. and inclusive of expenses on project profits, support for bank loans and filed visits etc,	500	750	1000
3.	Training Expenses	3000	3850	4700
4.	Stipend	1800	2700	3600
5.	Follow-up	1000	1000	1000
Total		7000	9000	11000

4.8 Release of Funds: For implementation of the CRR Scheme, nodal agencies will be paid advance in two installments in the ratio of 50:50 in order to meet various expenses as mentioned in the expenditure norm. Average norm per candidate for release of funds will be Rs. 8600 (considering ratio of 40:40:20 for 30, 45, and 60 days module, respectively).

4.9 Second installment will be considered only after satisfactory progress and receipt of Utilisation Certificate and Statement of Expenditure for past release. Advance will be released as per the provisions of GFR. In order to bring transparency in the Scheme, possibilities shall be explored by nodal agencies to (i) enroll the VRS optees under the Scheme by capturing Aadhar Number, and (ii) pay stipend to the trainees through banking system. Funds under the component of 'Follow-up' will be released only after ensuring the online data entry in respect of follow-up and redeployment of trained VRS optees.

4.10 Submission of Returns: Nodal agencies will be required to send progress report periodically in the prescribed proforma. Time bound submission of returns should be ensured by the nodal agencies. Nodal agencies have to ensure that immediately after completion of a particular batch, on line data entry incorporating comprehensive details of trainees in data base of CRR Portal like name, age, date of VRS, VRS number, photograph, details of training under CRR as per progress report proforma (to be prescribed by DPE) is done. Second installment of 50% of funds will be released by DPE as per expenditure norm only after completion of batch-wise data entry.

5. Role of Central PSEs

5.1 Role of CPSEs in implementation of CRR Scheme requires greater accountability and task in implementation of the Scheme. CPSEs, particularly profit earning CPSEs, have to be more accountable on their part in implementation of the Scheme. Before the separation of the employees opting out on VRS/VSS, the PSEs should ensure that all their dues are cleared before relieving them from the organization, so that they can plan their future course of action in earning livelihood in the new environment. However, a large number of VRS/VSS optees are expected from CPSEs/Units which are to be closed or under liquidation. In such cases, the role of CPSEs/respective units will be limited to furnish the list of VRS/VSS optees to the nodal agencies.

5.2 Dissemination of data of VRS optees: CPSEs have larger role and responsibility particularly in dissemination of data of VRS optees to nodal agencies and arranging for counseling before separation. CPSEs who have introduced VRS/VSS retrenchment Scheme shall identify the employees who are to be relieved,

prepare release schedule for separated employees and inform nodal agencies to reduce time gap between survey and separation. Basic data of VRS optees will be entered in the CRR website by CPSEs for use of all nodal agencies. Each VRS optee will be given a unique VRS number in the VRS letter indicating the VRS key generated through the CRR website for maintaining the identity of the optees and avoid duplication.

5.3 Pre-counselling and Counselling Activity: Before release, VRS optees would be counselled by the enterprises themselves for the type of employment available/self-employment opportunities, which they can avail of after they sever connection with the enterprise. Pre-VRS sensitization by the CPSEs before releasing the VRS employees should be mandatory and needs to be organized with intent. Nearby nodal agencies may participate in such motivational/counselling sessions. CPSEs are supposed to build up an elaborate system of handling the disengagement process. Financial dues to VRS optees may be disbursed in group meeting in presence of officials from various banks, state finance corporations, etc.

5.4 Role of Department: Human Resource (H.R.) Department of the enterprise will be in-charge of such counselling programmes and will furnish a copy of the list of employees who are being released on VRS/VSS/ retrenchment to the nodal agencies selected for the purpose of counselling, retraining and redeployment. CRR Website is already operational. List of VRS optees has to be posted on the website and it updated on monthly basis. H.R. Department shall maintain a regular contact with the trainees and maintain records about their deployment in new organizations or their self-employment. They should also be in constant touch with the nodal training agencies during the training programme to provide necessary support in the activities of rehabilitating the separated employees. In order to make the post training activities and follow up services to the VRS optees more effective for providing self-employment, Director (Personnel) of the CPSE concerned shall maintain regular liaison with the nodal agency engaged in the training of the rationalised employees.

5.5 Employee Resource Centre (ERC): Each CPSE will set up Employee Resource Centre (ERC) under H.R. Department to act as the nodal point for keeping records of the surplus/rationalized human resources of the enterprise, and for facilitating rehabilitation of such employees/workers.

5.6 Circulars/Guidelines to field offices/Units: For meaningful implementation of the Scheme, CPSEs must ensure that Circulars/Guidelines pertaining to CRR Scheme are circulated to all field offices/units/divisions of the CPSEs.

6. Role of the Nodal Agencies

6.1 Nodal agencies will maintain regular contact with the CPSEs concerned for effective implementation of the Scheme. The management of the nodal agencies will be responsible for the prudent use of financial assistance provided by the DPE for the work of counselling, retraining and redeployment/self-employment of VRS optees as per norms of expenditure approved by the DPR. They will set up Employee Assistance Centres (EACs) at a clearly indicated place as per need to counsel and train groups of VSS/VRS optees residing around that area after their separation from the CPSEs.

6.2 The employment record and personal details are to be mentioned in the Registration forms maintained by the nodal agencies in order to establish the identity of the candidate and his/her employment linkage with the CPSE from where Voluntary Separation/Retirement took place as well as the eligibility for being trained under CRR. A copy of such record is to be always made available at the EAC and produced for scrutiny at the time of inspection by officers of DPE and any inspection agency authorised by DPE.

6.3 Complete record to be maintained/made available at EAC with regard to trainers/resource persons engaged by the agencies, showing their qualifications and experience for imparting training in different skills/trades. In-charge of the EAC is accountable for maintaining such records to be produced at the time of inspection by officers of DPE and any agency authorised by DPE.

6.4 **Survey:** Agencies will carry out comprehensive survey through structured questionnaire. Survey will also cover isolated and migrated VRS optees. Standardized survey tools may be developed with help of select nodal agencies/specialized Institutes.

6.5 **Counselling:** Agencies will have exclusive and adequate module for counselling in training format. In view of approved expenditure norm, they may hire professional counselors. Emphasis should be on scientific counselling to facilitate a proper matching of viable projects with individual skill, aptitude and investment capacity. Individual counselling will be emphasized and family members will be included to facilitate mobilization of entire family in dealing with the trauma of job loss and help choose alternate avocation. Class room approach of counseling will be discouraged. For training the women candidates. Nodal agencies have to engage women counsellors to the extent possible.

6.6 **Training Design and Delivery:** Nodal agencies have to equip the trained VSS/VRS optees/dependents with 'Minimum Skill Set/Minimum Entrepreneurship Set' to start their own business/venture or get suitable employment. In order to have an effective and meaningful Training Design and Delivery mechanism, nodal agencies will ensure the following:

- (i) The selection of trades for training/skill development will be based on the basic qualifications/skill/aptitude and requirement of VSS/VRS optees dependents as expressed during counselling.
- (ii) For best practices, nodal agencies will design course contents trade-wise as contemplated by DGE&T for skill development programmes.
- (iii) Information, Education and Communication (IEC) intervention has to be properly addressed. Agencies will bring out brochure, hand bills etc. in local languages and widely distributed.
- (iv) Nodal agencies have to follow three modules of 30, 45 and 60 working days as per trade/area of training. The day will normally be reckoned as duration of module shall be proportionately adjusted/increased.
- (v) Nodal agencies will develop suitable curriculum, teaching material with the help of their faculty members to facilitate the activities under the programme. They will update training design and delivery from time to time so as to maintain focused nexus between entrepreneurship related inputs and vocational training so that redeployment may take place in market oriented trades/areas.
- (vi) Nodal agencies must undertake market surveys to identify new areas/skills for training. The market oriented trades/areas to training should be included in the skill development and entrepreneurial development training programmes. This would readiness among the beneficiaries to start their own venture in the prevailing market scenario.
- (vii) Various programmes need to be customized by nodal agencies for genuine requirements of recipients keeping in view their enthusiasm and motivation for entrepreneurial pursuits and the demand in the market, of the skills sought to be acquired. Mismatch between trade of training and area of redeployment needs to be avoided and recommendations to be given on Training Need Assessment (TNA).
- (viii) Sufficient time is to be devoted for the practical training under skill Development Programmes. Trade-wise printed material showing/explaining pictorial diagrams etc. needs to be provided to the trainees. Training is of no value without integrating practical sessions in the course curriculum.

- (ix) Practical training must contain provision of demonstrations, doing empirical exercises by the trainees, hands-on sessions, visits to units/factories/industrial sites etc. Nodal agencies have to devise ways and means to market practical training purposeful.
- (x) Local bodies, marketing associations/federations, and civil society organizations should be involved by agencies in the pretext of certificate distribution to involve local stakeholders in implementation of the Scheme.

6.7 **Coordination Committees:** It is every important to have regular interaction among nodal agencies, CPSEs and others for implementation of the scheme. For this purpose, the nodal agency should strive to form local level Coordination Committees comprising of representatives from the unit of major/other CPSEs in the vicinity, officials from lead bank/state financial institutions etc. These Committees can meet periodically to review and discuss the pertinent issue for the successful implementation of the Scheme. DPE may be informed from time to time about the efforts to widen the representation in Coordination Committee, meeting and actions of the Committee.

7. Follow up & Redeployment Strategies.

7.1 Follow up is the key factor in the success of the Scheme. The nodal agencies will have to effectively follow-up all cases till the VSS/VRS optees trained under the Scheme are redeployed/Self-employed. Emphasis has to be on systematic and enduring follow up. Record of efforts made to keep a track of the trained candidates upto their redeployment will have to be maintained at each EAC and sent to DPE. CPSEs have to actively participate in monitoring and follow-up in respect of retrained VRS optees.

7.2 **Assistance to Beneficiaries in getting loans/micro credit:** Nodal agencies will explore options with regard to placement for trained VRS optees/dependents. For the purpose of redeployment/self-employment, the nodal agencies will have continuous interactions with the trainees as well as DPE, CPSEs concerned and the commercial banks for sponsoring applications for bank loans and for facilitating release of loans by the banks to the trainees who wish to set up self-employment activities. They will be in constant touch with KVIC/SIDBI/public sector banks, etc, to provide inputs on micro financing and redeployment of VRS optees. Details of such efforts have to be sent to DPE.

7.3 **Formation of Self Help Groups (SHGs):** Nodal agencies should actively assist in formation of Self Help Groups, a common platform to share experiences and lessons from each other, CRR Scheme should take advantage of Women Bank Scheme dedicated to provide financial services to women in general and SHGs in particular. Ministry of MSME has a scheme namely, "Trade Related Entrepreneurship Assistance and Development" (TREAD) exclusively for women under which NGOs as promoting institutions can avail bank loan for women SHGs from nationalized banks. This scheme can be pursued by nodal agencies. Agencies like District Rural Development Agency (DRDA) and State Urban Development Agency (SUDA) should be networked with SHGs for micro credit linking.

8. Monitoring and Supervision

8.1 Department of Public Enterprises would be the coordinating agency to arrange for funds on annual basis, monitor the implementation of the Scheme by the nodal agencies and the CPSEs, and provide necessary direction and guidance. DPE would select nodal agencies/new EACs through laid down procedure of de-list in view of poor performance as found by Selection Committee in its periodical review of the progress of the Scheme. Monitoring, supervision and evaluation of the Scheme will also be taken up by the DPE from time to time directly or through suitable agencies/institutions. In addition, a concurrent monitoring mechanism will also be put in place.

8.2 Apart from inspection by officers of DPE from time to time, the nodal agencies are liable to be subjected to monitoring and field inspections by Third Party Assessing Agencies (TPAA). If any irregularity/discrepancy is reported by the TTPA while conducting evaluation of nodal agencies or noticed during inspection by officers of DPE, the contract with such defaulting nodal agencies under CRR Scheme is liable to be terminated with immediate effect and the agency shall be debarred for empanelment in future.

[DPE O.M. No. 9(6)/2013-(CRR)-DPE dated. 02-12-2013]

CHAPTER-X

CORPORATE SOCIAL RESPONSIBILITY (CSR)

1. Domestic skill enhancement programmes in PSEs - recommendations made in the 168th Report of Department Related Parliamentary Standing Committee on Industry.

The Department Related Parliamentary Standing Committee on Industry in its 168th Report has made the following recommendations:

Recommendation No. 17(3)

The Committee notes with reservation that there was no specific programme for enhancing the skills of shop floor level technicians. The Committee views it to be a stunted approach towards overall human development in PSEs.

Recommendation No. 17(4)

The Committee, therefore, recommends that DPE must organize orientation and skill development programme for shop-floor level technical functionaries as they are the end users of new material management and production techniques. The efficiency at shop-floor level ultimately reflects in the corporate performance of the Company. The Committee recommends that CPEs must adhere to the principles of Total Quality Management.

2. The Department of Public Enterprises normally supplements the efforts of the public sector enterprises in regard to training and skill development in respect of middle and senior level executives by organizing executive development programmes in collaboration with premier management and training institutes in the country. The skill development of shop-floor level technical functionaries is an enterprise-specific activity and necessary steps in this regard needs to be taken by the respective managements. Similar is the position about total quality management.

3. All the administrative Ministries/Departments are requested to bring the above recommendations of the Department Related Parliamentary Standing Committee on Industry to the notice of the public sector enterprises under their administrative control for information and necessary action. It is further requested that action taken in this regard may be intimated to this Department for apprising the Hon'ble Parliamentary Committee about follow up action.

(DPE OM No. 2(29)/2005-GM-GL-69 dated, the 26th August, 2005)

2 Relief and Rehabilitation activities in the flood affected area of Uttarakhand under new CSR and Sustainability Guidelines.

The undersigned is directed to invite attention to the unprecedented flood situation in Uttarakhand area resulting into large scale damage to the person and property and to say that the Minister for Heavy Industries & Public Enterprises has desired that CPSEs under administrative control of Ministries/Departments may be

directed to take up relief and rehabilitation activities in the flood affected areas of Uttarakhand by undertaking such projects under their CSR and Sustainability activities in that area.

The relief and rehabilitation project undertaken in Uttarakhand during 2013-14 by CPSEs would be treated as the projects in the backward region, and would also qualify for the purpose of MoU Evaluation. Further, the limit of 5-10% of annual budget for CSR and Sustainability activities earmarked for natural calamities/disaster will be relaxed for this purpose and the Board of Directors of respective CPSEs may take appropriate decision for higher spending on this account.

The contribution made by the CPSEs towards Prime Minister's/Chief Minister's Relief Fund and/or National Disaster Management Authority would count as valid CSR and Sustainability activities. This may please be treated with utmost urgency.

[DPE OM No. 15(9)/2013-DPE (GM) dated the 24th June, 2013].

3. Relief and Rehabilitation activities in the flood affected area of Uttarakhand under new CSR & Sustainability Guidelines.

The undersigned is directed to refer to this Department's O.M. of even number dated 24th June, 2013 on the subject mentioned above and to state that some of the CPSEs have intimated that donations/contribution made by them to Prime Minister's National Relief Fund (PMNRF) have been returned and PMO has informed that "contributions with government/budgetary support or from PSU balance sheets" would not be accepted.

2. The matter has since been examined. The management of CPSEs are advised to comply with the directions of PMO in this regard.

[DPE OM No. 15(9)/2013-DPE (GM) dated the 19th September, 2013].

4. Relief and Rehabilitation activities in the Cyclone affected areas of States of Andhra Pradesh, Odisha and Bihar under new CSR & Sustainability Guidelines.

The undersigned is directed to invite attention to the havoc caused by cyclone 'Phailin' in the coastal areas of States of Andhra Pradesh, Odisha and Bihar resulting in large scale damage to person and property and to say that the Minister for Heavy Industries & Public Enterprises has desired that Ministries/Departments may direct CPSEs under their administrative control to take up relief and rehabilitation activities/ projects in the cyclone affected areas of these States under their CSR and Sustainability agenda.

2. The relief and rehabilitation projects undertaken by CPSEs in cyclone affected areas of the above mentioned states during 2013-14 would be treated as the projects in the backward regions, and would also qualify for the purpose of MoU evaluation. Further, the limit of 5-10% of annual budget for CSR and Sustainability activities earmarked for natural calamities/disaster will be relaxed for this purpose and the Boards of Directors of respective CPSEs may decide on higher spending on this account.

3. The contribution made by the CPSEs towards Prime Minister's/Chief Minister's Relief Fund and/or National Disaster Management Authority would count as valid CSR and Sustainability activities. An early action in the matter would help mitigating the effect of this natural calamity.

4. This issues with the approval of Secretary, Department of Public Enterprises.

[DPE OM No. 15(9)/2013-DPE (GM) dated the 28th October, 2013].

5. Contribution towards Prime Minister's National Relief Fund - reg

To mitigate the effects of the disastrous floods in the state of Jammu & Kashmir, CPSEs may be wanting to make contributions towards the Prime Minister's National Relief Fund (PMNRF) for this cause. However, the PMO has conveyed (copy attached) that the PMNRF accepts only voluntary contributions by individuals and institutions. Contributions flowing out of budgetary resources, profits or from the balance sheets of PSUs are not accepted. PSUs may at their discretion collect and remit any voluntary contribution of their employees to PMNRF.

2. All administrative Ministries/ Departments are requested to bring this to the notice of the Chief Executives of CPSEs under their control.

This issues with the approval of Secretary, DPE

[No. 15(9)/2013- DPE (GM) Dated: 19th September, 2014]

6. Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises.

The undersigned is directed to enclose the "Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises". These guidelines will supersede the guidelines on Corporate Social Responsibility and Sustainability issued by DPE vide OM No. 15 (7)/2012-DPE (GM)-GL-104 dated the 12th April, 2013. The guidelines would supplement CSR Rules (under Companies Act, 2013) notified by Ministry of Corporate Affairs and are issued in consultation with them.

2. These guidelines have the approval of Minister (Heavy Industries & Public Enterprises) and are effective from 1.4.2014.

3. All the administrative Ministries / Departments are requested to bring these guidelines to the notice of CPSEs under their respective jurisdiction for necessary action.

Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises w.e.f. 01.04.2014

Department of Public Enterprises

1.0. Background

1.1. The Government of India enacted the Companies Act 2013 in August 2013. Section 135 of the Companies Act 2013 (hereinafter referred to as the Act') deals with the subject of Corporate Social Responsibility (CSR). It lays down the qualifying criteria based on net worth, turnover, and net profit for companies which are required to undertake CSR activities and, interalia, specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Boards of Directors of companies. The activities which may be included by companies in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act apply to all companies, including CPSEs.

1.2. The Ministry of Corporate Affairs has formulated CSR Rules (hereinafter referred to as the 'CSR Rules'), under the provisions of the Act and issued the same on 27.2.2014. The CSR Rules are applicable to all companies, including CPSEs w.e.f. 1.4.2014.

1.3 All CPSEs shall have to comply with the provisions of the Act and the CSR Rules. Any amendment notified by the Ministry of Corporate Affairs in the CSR Rules, or in Schedule VII of the Act will also be binding on the CPSEs.

1.4 Prior to the notification of CSR Rules, DPE Guidelines on CSR and Sustainability issued in December 2012, were applicable to CPSEs w.e.f. 01.04.2013. In DPE guidelines, CSR and sustainable development were treated as complementary and, therefore, dealt with together. CSR was seen as an important constituent of the overarching framework of sustainability. The present guidelines of DPE are also intended to reinforce the complementarity of CSR and sustainability and to advise the CPSEs not to overlook the larger objective of sustainable development in the conduct of business and in pursuit of CSR agenda.

2.0. DPE Guidelines on CSR and Sustainability for CPSEs

2.1. The CSR provisions of the Act, Schedule VII of the Act, and the CSR Rules are inviolable. However, in addition to the CSR provisions of the Act and the CSR Rules, the Department of Public Enterprises (DPE) has formulated Guidelines on CSR and Sustainability (hereinafter referred to as 'the Guidelines') which are applicable to CPSEs. It is clarified that the Guidelines do not supersede or override any provision of the Act, or Schedule VII of the Act, or the CSR Rules, but will only supplement them. The Guidelines are in the nature of initiatives or endeavour which the key stakeholders expect of CPSEs in the discharge of their Corporate Social Responsibility. Any possible situation in which there may be a conflict between the CSR Rules and the Guidelines, is not envisaged. However, it is clarified that in case of any perceived conflict between the CSR Rules and the Guidelines, the former shall prevail in all circumstances.

2.2 The term Sustainability has been used in conjunction with CSR in the title of DPE Guidelines because CSR activities which are envisaged in the Act and in the CSR Rules can be supplemented with sustainability initiatives as both aim at achieving sustainable development goals. In the Guidelines the need for taking sustainability initiatives is emphasised in addition to the requirement of mandatory compliance with the CSR Rules. The Guidelines are aimed at providing an over arching framework of Sustainability within which CSR is firmly embedded. Therefore, CPSEs are advised to read the CSR Rules together with the Guidelines to clearly understand what is expected of them by the stakeholders.

2.3 The Act enjoins all companies to have a CSR policy, and the information which needs to be furnished in the CSR policy is specified in the CSR Rules. There is to be no deviation from the mandatory provisions of the Act and the CSR Rules in this regard. However, the CSR policy document of a CPSE should also include a vision and mission statement of how the CPSE proposes to comply with the Guidelines. The broad sustainability initiatives which a CSPE intends to undertake should also find mention therein. Since CSR and Sustainability issues are complementary in nature, and both are to be mentioned in the policy document, it is suggested that it may be referred to as 'CSR and Sustainability' policy. The change in nomenclature of the policy document and its information expanse would not in any way detract from the CPSE's commitment to CSR, or dilute its content. Rather, it would only indicate the willingness of the CPSE to voluntarily take a few extra steps to address social, economic and environmental concerns, which may be beyond the realm of CSR as envisaged in the Act and the CSR Rules, but are nevertheless worthy of attention for promotion of sustainable development in its diverse dimensions.

2.4 The following Guidelines applicable to all CPSEs are generally in the nature of guiding principles. The guidelines contain certain additional requirements as mentioned below:

- i) It is mandatory for all profit making CPSEs to undertake CSR activities as per the provisions of the Act and the CSR Rules. Even the CPSEs which are not covered under the eligibility criteria based on threshold limits of net-worth, turnover, or net profit as specified by Section

135 (1) of the Act, but which made profit in the preceding year, would also be required to take up CSR activities as specified in the Act and the CSR Rules, and such CPSEs would be expected to spend at least 2% of the profit made in the preceding year on CSR activities.

- ii) All CPSEs must adopt a CSR and Sustainability Policy specific to their company with the approval of the Board of Directors. The philosophy and spirit of CSR and Sustainability must be firmly ingrained in the policy and it must be consistent with the CSR provisions of the Act, Schedule VII of the Act, CSR Rules, the Guidelines, and the policy directions issued by the Government from time to time. The CSR and Sustainability policy of a CPSE should serve as the referral document for planning its CSR activities in accordance with Schedule VII of the Act and give a road map for formulation of actionable plans.
- iii) If the CPSEs feel the necessity of taking up new CSR activities / projects during the course of a year, which are in addition to the CSR activities already incorporated in the CSR policy of the company, the Board's approval of such additional CSR activities would be treated as amendment to the policy.
- iv) It would be mandatory for all CPSEs which meet the criteria as laid down in Section 135(1) of the Act, to spend at least 2% of the average net profits of the three immediately preceding financial years in pursuance of their CSR activities as stipulated in the Act and the CSR Rules. This stipulated percentage of average net profits is to be spent every year in a manner specified in the Act and CSR Rules. In case a company fails to spend such amount, it shall have to specify the reasons for not spending it. However, in case of CPSEs mere reporting and explaining the reasons for not spending this amount in a particular year would not suffice and the unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilisation for the purpose for which it was allocated.
- v) While selecting CSR activities / projects from the activities listed in Schedule VII of the Act, CPSEs should give priority to the issues which are of foremost concern in the national development agenda, like safe drinking water for all, provision of toilets especially for girls, health and sanitation, education, etc. The main focus of CSR and Sustainability policy of CPSEs should be on sustainable development and inclusive growth, and to address the basic needs of the deprived, under privileged, neglected and weaker sections of the society which comprise of SC, ST, OBCs, minorities, BPL families, old and aged, women / girl child, physically challenged, etc.
- vi) For CPSEs to fully exploit their core competence and mobilize their resource capabilities in the implementation of CSR activities / projects, they are advised to align their CSR and Sustainability policy with their business policies and strategies to the extent possible, and select such CSR activities / projects which can be better monitored through in-house expertise.
- vii) All CPSEs are expected to act in a socially, economically and environmentally sustainable manner at all times. Even in their normal business activities, public sector companies should try to promote sustainable development through sustainability initiatives by conducting business in a manner that is beneficial to both, business and society. They are advised not to lose sight of their social and environmental responsibility and commitment to sustainable development even in activities undertaken in pursuance of their normal course of business. National and global sustainability standards which promote ethical practices, transparency and accountability in business may be referred to as guiding frameworks to plan, implement, monitor and report sustainability initiatives. But the amount spent on sustainability initiatives in the pursuit of

sustainable development while conducting normal business activities would not constitute a part of the CSR spend from 2% of profits as stipulated in the Act and the CSR Rules.

- viii) As a part of their sustainability initiatives CPSEs are expected to give importance to environmental sustainability even in their normal mainstream activities by ensuring that their internal operations and processes promote renewable sources of energy, reduce / re-use / recycle waste material, replenish ground water supply, protect / conserve / restore the ecosystem, reduce carbon emissions and help in greening the supply chain. CPSEs are expected to behave in a responsible manner by producing goods and services which are safe and healthy for the consumers and the environment, resource efficient, consumer friendly, and environmentally sustainable throughout their life cycles i.e. from the stage of raw material extraction to production, use / consumption, and final disposal. However, such sustainability initiatives will not be considered as CSR activities as specified in the CSR Rules, and the expenditure incurred thereon would also not constitute a part of the CSR spend. Nevertheless, CPSEs are encouraged to take up such sustainability initiatives from their normal budgetary expenditure as it would demonstrate their commitment to sustainable development.
- ix) Sustainability initiatives would also include steps taken by CPSEs to promote welfare of employees, especially women, physically challenged, SC / ST / OBC categories, by addressing their concerns of safety, security, professional enrichment and healthy working conditions beyond what is mandated by law. However, expenditure on such sustainability initiatives would not qualify as CSR spend.
- x) The philosophy and spirit of CSR and Sustainability should be understood and imbibed by the employees at all levels and get embedded in the core values of the company.
- xi) CPSEs should extend their reach and oversight to the entire supply chain network to ensure that as far as possible suppliers, vendors, service providers, clients, and partners are also committed to the same principles and standards of corporate social responsibility and sustainability as the company itself. CPSEs are encouraged to initiate and implement measures aimed at 'greening' the supply chain.
- xii) As mentioned in the Act, CPSEs should give preference to the 'local area' in selecting the location of their CSR activities. It is desirable that the Board of Directors of CPSEs define the scope of the 'local area' of their commercial units / plants / projects, keeping in view the nature of their commercial operations, the extent of the impact of their operations on society and environment, and the suggestions / demands of the key stakeholders, especially those who are directly impacted by the company's commercial operations / activities. The definition of 'local area' may form part of the CSR policy of the CPSE.
- xiii) After giving due preference to the local area, CPSEs may also undertake CSR activities anywhere in the country. The Board of Directors of each CPSE may also decide on an indicative ratio of CSR spend between the local area and outside it, and this may be mentioned in the CSR policy of the CPSE. CPSEs, which by the very nature of their business have no specific geographical area of commercial operations, may take up CSR activities / projects at any location of their choice within the country.
- xiv) As far as possible, CPSEs should take up the CSR activities in project, which entails planning the stages of execution in advance by fixing targets at different milestones, with pre-estimation of quantum of resources required within the allocated budget, and having a definite time span for achieving desired outcomes.

- xv) CPSEs should devise a communication strategy for regular dialogue and consultation with key stakeholders to ascertain their views and suggestions regarding the CSR activities and sustainability initiatives undertaken by the company. However, the ultimate decision in the selection and implementation of CSR activities would be that of the Board of the CPSE.
- xvi) As per the CSR Rules, all companies are required to include an annual report on CSR in their Board's Report. The template / format for reporting CSR activities as provided by CSR Rules should be strictly adhered to. However, CPSEs shall also have to include in the Board's Report a brief narrative on the action taken for the implementation of the Guidelines so that the stakeholders are informed of not only the CSR activities but also of the sustainability initiatives taken by the CPSEs. CPSEs are further advised to prepare an Annual Sustainability Report, which would go a long way in imparting greater transparency and accountability to the company's operations, apart from improving the brand image.
- xvii) It is desirable that CPSEs get a baseline/ need assessment survey done prior to the selection of any CSR activity. It is also desirable that CPSEs should get an impact assessment study done by external agencies of the CSR activities / projects undertaken by them. Impact assessment is mandatory for mega projects, the threshold value of which can be determined by the Board of a CPSE and specified in its CSR and Sustainability policy. However, the expenditure incurred on baseline survey and impact assessment study should be within the overall limit of 5% of administrative overheads of CSR spend as provided for under the CSR Rules.
- xviii) Within the provisions of the Act, Schedule VII of the Act, and the CSR Rules, CPSEs are encouraged to take up CSR activities / projects in collaboration with other CPSEs for greater social, economic and environmental impact of their CSR activities / projects.
- xix) CSR projects taken up by CPSEs in 2013-14 under DPE guidelines on CSR & Sustainability which were effective from 1st April 2013, may be continued till their completion. However, CPSEs to ensure that all new CSR activities / projects are in accordance with the CSR Rules.
- xx) CPSEs which are statutory corporations should also comply with the provisions of the Act, CSR Rules and the Guidelines
- xxi) These guidelines will supersede the guidelines / circulars / instructions issued earlier by DPE on the subject of CSR and Sustainability.

(DPE OM No. 15(13)/2013-DPE(GM) dated the 21st October, 2014)

7. Contribution towards Swachh Bharat Kosh, Clean Ganga Fund and Prime Minister's National Relief Fund under DPE Guidelines on Corporate Social Responsibility (CSR) and Sustainability

The undersigned is directed to refer to the DPE Guidelines on Corporate Social Responsibility (CSR) and Sustainability issued vide O.M. dated 21.10.2014 and to say that:

- i) Contributions to Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and to Clean Ganga Fund set up by the Central Government for the rejuvenation of River Ganga shall also be considered as expenditure under CSR.

- ii) As far as contributions towards Prime Minister's National Relief Fund (PMNRF) are concerned the advisory issued vide DPE OMs No. 15(9)/2013- DPE(GM) dated 19th September, 2013 and dated 19th September, 2014 still holds good. It is reiterated that contributions flowing out of budgetary resources, profits or from Balance Sheets of PSEs are not accepted in PMNRF. PMNRF accepts only voluntary contributions by individual and institutions.
2. All administrative Ministries/ Departments are requested to bring this to the notice of the Chief Executives of CPSEs under their control.

PRIME MINISTER'S OFFICE
New Delhi-110011

Subject : Contributions towards Prime Minister's National Relief Fund

Following, devastating floods in Jammu & Kashmir, Prime Minister had made an appeal for contribution towards the Prime Minister's National Relief Fund (PMNRF).

2. The Corporates and Public Sector Undertakings (PSUs) have started making donations towards the fund following the appeal. While the gesture of PSUs is appreciated, it is conveyed that the PMNRF accepts only voluntary contributions by individuals and institutions. Contributions flowing out of budgetary resources, profits or from the balance sheets of PSUs are not accepted. PSUs could collect and remit any voluntary contributions of employees and others.
3. It is requested that the Ministries may accordingly advise the PSUs concerned.

[F. No.15 (13)/2013-DPE (GM) Dated the 20th November, 2014]

CHAPTER-XI

MISCELLANEOUS

1. Admissibility of Questions relating to Public Enterprises in Parliament.

The Government have been considering certain aspects regarding the admissibility of Questions relating to Public Enterprises in Parliament, in the context of the need for promoting the autonomy of the Public Undertakings. It is considered that nothing should be done by way of discussions etc. in Parliament which would encroach on the autonomy or fetter the initiative of the Public Enterprises.

2. At present the principles laid down in the Lok Sabha Secretariat OM dated the 17th March, 1958, continues to hold good on the disallowance of Questions. In this O.M., it is laid down that the following types of Questions should be disallowed:

- i) Questions relating to day-to-day administration of Public Enterprises;
- ii) Questions which tend to throw work on the Ministries and the Public Enterprises incommensurate with the result to be obtained therefrom;
- iii) Questions which seek to obtain information which the Hon'ble Members may obtain directly by addressing the managements of Public Enterprises.

These principles will continue to apply. It has also been agreed by the Lok Sabha and Rajya Sabha Secretariats that identical or same Questions asked in the previous or current sessions should not be admitted and questions seeking statistical information which is normally available in the published documents or annual reports, etc. are also normally to be disallowed.

3. Government have now decided that if the Ministries/Departments of the Government of India feel that a particular Question is not admissible in view of any of these considerations, the Minister in the concerned Ministry/ Department should take up immediately with the Speaker, Lok Sabha/ Chairman, Rajya Sabha, as the case may be, within 48 hours of the receipt of advance information of the question, to have it disallowed. If, in spite of all these efforts, a Question which should have been disallowed is admitted, the Minister while replying to the Question could state that the Question falls within the sphere of the day-to-day administration of Public Enterprises or explain the position regarding the work involved in collection of information vis-à-vis the results to be obtained therefrom or point out that an identical or substantially similar question had already been answered.

4. These decisions of the Government are communicated to all Ministries/Departments for their information and guidance.

(BPE No. 2(35)/68-BPE(GM) dated 4th June, 1969)

2. Security Arrangements in Public Enterprises.

Ministries are aware that a force called the Central Industrial Security Force has been constituted under the Ministry of Home Affairs for the security of industrial undertakings of the Central Government.

2. The question of evolving a uniform procedure in regard to the deployment of the Force and in providing security arrangements in the various undertakings has been under consideration of the Government particularly with a view to ensuring better coordination between the I.G., C.I.S.F. and the administrative Ministries / Public Enterprises. It has been decided that the following steps should be taken in this regard.

- i. There should be close Association between CISF and a Public Enterprise, right from its inception. In other words, as soon as a new Enterprise is sanctioned about such sanction should be sent automatically to the I.G., CISF so that he can start liaison from the very outset, with the connected officials in the Ministry concerned and the Chief Executive of the project as soon as he is appointed.
- ii. No new Enterprise should appoint its own Watch and Ward or security staff, even during construction stage, unless a clearance has been obtained from the I.G., CISF that he is not in a position to take over the security functions of the Enterprise from the very beginning.
- iii. Whenever an investment decision is cleared at the level of the Public Investment Board an intimation that such a project has been cleared, should be sent to I.G., C.I.S.F.

3. Ministries etc. are to take necessary action accordingly.

(BPE O.M. No. 2(97)/72-BPE(GM-I) dated 5th December, 1972)

3. Presentation of gifts to Members of Parliamentary Committees

Recently a case was brought to Government's notice where a member of a Parliamentary Committee on an official visit to a public undertaking was presented with two gifts, which he considered as expensive. The member took exception to the presentation of such gifts, obviously purchased out of public funds, as improper, particularly when the Committee was in the process of examining the working of the undertaking.

2. While the presentation of simple souvenirs of nominal value might be considered on act of courtesy and to some extent a harmless publicity device, expensive gifts, particularly on occasions of visits by Parliamentary Committees to examine the working of public undertakings may lead to justifiable criticism.

3. After consulting the Chairman, Rajya Sabha, and the Speaker, Lok Sabha, Government consider that in order to save possible embarrassment to members of Parliamentary Committees, it would be a salutary principle for public enterprises not to give any expensive gifts when the Committees visit the undertakings or are engaged in examining their affairs.

4. The undersigned is therefore directed to request the Ministry of Petroleum and Chemicals, etc., to advise the public enterprises under their administrative control accordingly.

(OM No. 2(76)/73-BPE(GM-I) dated 7th December, 1973)

4. Nomination of Central Government officials to represent the President of India at Annual General Meeting of Public Enterprises.

The Parliamentary Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their 9th Report on Central Inland Water Transport Corporation – Mismanagement in Organisation Administration and Financial Matters – has made the following observations with regard to the nomination of Central Government officials to represent the President of India at the Annual General Meetings of Public Enterprises.

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“Since important business is transacted at the Annual General Meetings of the Public Undertakings, Central Government officials appointed to represent the President of India at such Meetings should be persons of sufficiently higher status, rather than of Under Secretary level as has been done in the case of Central Inland Water Transport Corporation.”

2. The above observations of the Parliamentary Committee have been examined. It has been decided that just as the Government representation on the Board of Directors is restricted to dealing Joint Secretaries/ Directors, it would be desirable that the Administrative Ministries depute only such officers, who are eligible for nomination on the Board of Directors to attend the Annual General Meetings of the Public Enterprises to represent the interest of the principal share holder i.e. the President of India.

3. The Ministry of Steel and Mines, etc., are requested to keep the foregoing in view while nominating officers for attending Annual General Meeting of the Public Enterprises on behalf of the President.

(BPE/GL-027/78/MAN/2(52)/78-BPE(GM-I) dated 26th August, 1978)

5. Closing of offices and industrial establishments on the death of high dignitaries

References have been received in the Bureau of Public Enterprises from time to time inquiring about the policy to be followed by the Public Enterprises with regard to the closing of offices and industrial establishments on the day of death of high dignitaries. The question of laying down general policy guidelines, which could be adopted by the Public Enterprises in the event of such an eventuality, has been considered. I enclose herewith a copy of the MHA O.M. dated 25.1.72 explaining the procedure to be followed by the Government departments and its industrial establishments on the death of the high dignitaries. It will be noted that the industrial establishments of the Central Government would not be closed on the death of any dignitary. In the event of the death of the President, such establishments will however remain closed on the day of the funeral at the place where the funeral takes place. That day will also be declared as a public holiday at that place under the Negotiable Instruments Act, 1881. No public holiday will be declared under the Act on the death of any other dignitary. In the event of the death of any dignitary of a State or Union Territory, the Government or the administration concerned are required to take thereon decision for the closure of their offices. The offices and industrial establishments of the Central Government are not required to follow suit in such cases but in the event of the death of Governor or the Chief Minister of a State (such offices/but not industrial establishments) should be closed down in accordance with the instructions contained in Annexure-I to enable the officers and staff to pay homage to the deceased dignitary or to attend the funeral.

The offices of the Public Enterprises both at their headquarters and the industrial establishments could follow the principles applicable to the industrial establishments of the Central Government when death of a high dignitary takes place.

Copy of M.H.A. O.M. No. 3/10/76-Pub-II dated 25-1-72 regarding Closing of offices and industrial establishments on the death of high dignitaries.

The undersigned is directed to say that the existing instructions regarding closure of offices and industrial establishments of the Government and declaring public holidays under the Negotiable Instruments Act, 1881, on the death of high dignitaries have been reviewed keeping in view the need for minimising the interruption in the transaction of Government work and the loss of production in industrial establishments, which result from such closures. A set of revised instructions to be observed on such occasions in future is attached.

2. According to these instructions, industrial establishments of the Government will not be closed on the death of any dignitary. In the event of the death of the President such establishments will remain closed only on the day of the funeral at the place where the funeral takes place. That day will also be declared as a public holiday at that place under the Negotiable Instruments Act, 1881. No public holiday will be declared under the Act on the death of any other dignitary.
3. The Governments and Administrations of Union Territories will follow the enclosed instructions on the death of the President or Prime Minister. The State Governments are being requested to adopt a similar course. Offices and industrial establishments of States and Union Territories need not be closed in the event of the death of any other Central dignitary.
4. In the event of the death of any dignitary of a State or Union Territory, the Government or Administration concerned will take its own decisions for the closure of its offices. The offices and industrial establishments of the Central Government are not required to follow suit in such cases, but in the event of the death of a Governor or a Chief Minister of a State, such offices (but not industrial establishments) should be closed in accordance with the enclosed instructions to enable the officers and staff to pay homage to the deceased dignitary or to attend the funeral.
5. Closure of Courts on the death of Central dignitaries will be governed by orders of the High Court concerned.

ANNEXURE-I

INSTRUCTIONS REGARDING CLOSURE OF GOVERNMENT OFFICES AND INDUSTRIAL ESTABLISHMENTS IN THE EVENT OF THE DEATH OF HIGH DIGNITARIES

General Instructions

1. *President* : In the event of the death of the President :
 - (1) All offices of the Central Government will be closed throughout India on the day of which death occurs; and
 - (2) On the day of the funeral –
 - a. all offices of the Central Government will be closed throughout India;
 - b. industrial establishments of the Central Government will be closed at the place where the funeral takes place; and
 - c. a public holiday under the Negotiable Instruments Act, 1881, will be declared by the Ministry of Home Affairs at the place where the funeral takes place, if it is not already a public holiday.

2. *Vice-President:* In the event of the death of the Vice-President, all offices of the Central Government will be closed:
 - a. throughout India on the day on which death occurs; and
 - b. at the place where the funeral takes place, for half-a-day on the day of the funeral.
3. *Prime Minister:* In the event of the death of the Prime Minister, all offices of the Central Government will be closed throughout India on the day on which death occurs and also on the day of the funeral.
4. *Union Cabinet Ministers:* In the event of the death of a Union Cabinet Minister, offices of the Central Government will be closed:
 - a. for half a day in Delhi; and
 - b. if the funeral takes place outside Delhi, for half a day at the place where the funeral takes place.
5. *Other members of the Council of Ministers of the Union:* In the event of the death of a Minister of a State, or Deputy Minister of the Union, offices of the Central Government under the direct charge of the deceased Minister will be closed:
 - a. for half a day in Delhi; and
 - b. if the funeral takes place outside Delhi, for half a day at the place where the funeral takes place.
6. *Governor or Chief Minister of a State:* In the event of the death of a Governor or a Chief Minister of a State, Central Government offices will be closed :
 - a. in the capital of the State concerned for half a day.
 - b. if death occurs at a place outside the State Capital, also for half a day at that place; and
 - c. if the funeral takes place at any other place, for half a day at the place where the funeral takes place.

Special Instructions

1. On receipt of the intimation of the death of the President, Vice-President or Prime Minister, the Ministry of Home Affairs will inform the Central Ministries and Departments, State Governments, etc. The All India Radio will also make an announcement. Heads of offices throughout India will arrange for closure of their offices as soon as intimation is received from the Ministry of Home Affairs or over the AIR, whichever is earlier.
2. If intimation of the death of the President, Vice-President or Prime Minister is received after office hours, Central Government offices will be closed throughout India on the following day if it is otherwise a working day.
3. If intimation of the death of the President, Vice-President or Prime Minister is received during office hours late in the afternoon, offices will be closed for rest of the day but if it is not possible to effect closure for more than three hours, Ministry of Home Affairs may issue instructions for closing the offices on the following day also if it is otherwise a working day.

4. In the event of the death of a Union Cabinet Minister, the Ministry of Home Affairs will intimate the particular half day when offices at Delhi and at the place of the funeral may remain closed.
5. In the event of the death of a Union Minister of State or Deputy Minister, the concerned Ministry or Department will determine the particular half day when their offices may remain closed at Delhi and at the place of the funeral. The closure should be so adjusted to enable officers and staff of the Ministry or Department concerned to pay homage to the deceased or attend the funeral.
6. In the event of death of a Governor or Chief Minister of a State, the particular half day when the offices may remain closed will be determined by the Heads of local offices in consultation with the Chief Secretary of the State Government.
7. In the event of death of the President or Prime Minister, offices and industrial establishments of the Governments/Administrations of Union Territories will follow the above instructions. These offices need not be closed in the event of the death of the other Central dignitary.
8. In the event of the death of Administrator or Chief Minister or other Minister of a Union Territory, the Government/Administration of the Union Territory concerned may take its own decision regarding closure of its offices. Other Central Government offices in the Union Territories will not be closed on such occasions.

(BPE No. 2(22)/77-BPE(GM-I) dated 6th December, 1979)

6. Land acquisition and rehabilitation aspects involved in major projects.

Government have been seriously concerned about the lack of uniformity in approach in regard to acquisition of land for projects and alleviation of the difficulties faced by the dispossessed persons. After careful consideration of the matter in all its implications, Government have decided as follows:

2. Land acquisition:

- i. Where land acquisition becomes inevitable, the selection of site should be done by a Committee consisting, among others, also of a representative of the State Government. After deciding the district in which the project is to be located, the Committee should indicate to the district administration the extent of land required, as also the basic infrastructural requirements, for suggesting various alternative sites in the district. The site suggested by the district administration may be inspected by the Committee before a final selection is made. While selecting the site every effort should be made to avoid acquisition of valuable agricultural land especially wet land, forest land or ecologically fragile land. The acquisition of whole villages should also be avoided as far as possible. The primary aim should be to cause the least amount of disturbance to human habitations and their way of life. With a view to avoiding acquisition of land far in excess of the requirements, the project authorities in the detailed project report should clearly indicate the minimum quantum of land required for setting up the unit along with detailed justification, functional distribution etc. and such requirements should be supported with a map duly authenticated by the State Governments and their willingness to acquire land for the purpose. The requirement of land for expansion in the foreseeable time horizon should be taken into account, but at best such additional requirement could be only 25% of the land required in the initial project. The Public Investment Board, while considering the project, will examine the requirement of land and give its recommendations on the extent of land, which it considers to be justified for the project.

- ii. Many of the existing public undertakings have in their possession lands far in excess of their present requirements and also possible expansion in the near future. A survey may be undertaken by the administrative Ministries/Departments/ Undertakings to identify such surplus lands. This survey should be completed by Sept. 30, 1986. After identification, the surplus land could be transferred for the appropriate use by Central Government Departments, or for the establishment of new public sector undertakings, or for location of ancillary units. Such land could even be considered for transfer to the State Governments for setting up small industrial units or industrial estates. In appropriate cases, the surplus land could be released for afforestation. Wherever feasible, construction of housing projects for workers would also be considered on surplus land. If small chunks of land are available, these could be utilized for promoting housing cooperatives of the employees of the public sector undertakings. The transfer of surplus land will, in all cases, have to be decided after taking into consideration the terms and conditions in the original deed of acquisition.
- iii. Government consider it desirable to set up a joint management agency for the planning and provision of common services and amenities to public sector enterprises contiguously located especially for items like townships, water supply, medical and educational facilities etc.. The feasibility of establishing services and facilities for the projects to be set up in the same area will be considered by the Department of Expenditure in consultation with the concerned ministries/departments and the Ministry of Environment and Forests and placed before the Public Investment Board for a decision.
- iv. Before deciding on fresh acquisition of land, the concerned Industrial Infrastructure Development Corporations of the States should be consulted and the availability of acquired land with them ascertained. This will minimise the need for new acquisition with all its consequent problems.

3. Compensation:

The land acquisition authorities should streamline the procedure for payment of compensation in the light of the provisions of the recently amended Land Acquisition Act. It should be ensured that the compensation amount is disbursed to the real beneficiaries within a reasonable time. The Department of Rural Development will separately undertake case studies on the procedure being followed in regard to land acquisition, payment of compensation to affected persons, the time taken to complete the formalities etc. and suggest measures for further improvement in the system. It will be the responsibility of the concerned State Governments to remove any encroachments noticed on land notified under the Land Acquisition Act.

4. Rehabilitation:

- i. Each Land Acquisition Unit will have a small Rehabilitation Cell. This Cell will identify the persons who are to be treated as dispossessed persons following the acquisition of land and forward a list of all such persons to the project authorities. The cost of running this cell will be met by the project authorities, for a limited period (say 2 or 3 years) as may be agreed to between the Project authorities and the State Governments.
- ii. Rehabilitation assistance will be limited to those whose land or homesteads are acquired provided they are themselves cultivating those lands or residing in the homesteads. Absentee landlords will not be entitled to any rehabilitation assistance.
- iii. Persons whose land holdings have been completely acquired will be given priority in rehabilitation assistance as compared to others whose land has been only partially acquired. Where homesteads have been acquired, alternative house sites should be provided to the

displaced persons. These sites should be provided with infrastructural amenities like roads, water supply, sanitation, educational and medical facilities etc. All expenditure thereon will be a charge on the project.

- iv. The project authorities should be directed to examine the list of awardee families eligible for rehabilitation assistance received from the Rehabilitation Cell with reference to their educational attainments and arrange for imparting to them suitable education and training to equip them to be considered for employment in the project, subject to availability of vacancies. Such education and training should be imparted through the existing and available training institutions of the State and the Central Governments. The project authorities may meet the cost of training of the persons who are selected from among the evictee families. If suitable disciplines or faculties required for the needs of the public sector undertakings are not available with the existing training institutions, the project authorities should undertake to fund and start such training courses which will equip candidates for employment in the public sector undertakings. Such training given at the cost of public sector undertakings should not be presumed to be a commitment for ultimate employment in the undertaking concerned. The main idea is to enable some members of the evictee families to qualify themselves for employment and compete for the same along with the others.
- v. In the context of the urgent necessity of public sector enterprises operating at commercially viable levels and generating adequate internal resources, over-manning has to be guarded against. Any understanding, formal or informal, in regard to offer of employment to one member of every dispossessed family in the project will stand withdrawn. However, with a view to encouraging the dispossessed families taking to useful avocations like poultry farming, animal husbandry etc. the project authorities will assist the concerned State Governments in organizing and financing such activities. The basic responsibility of initiating such schemes will be that of the State Governments.
- vi. The progress of rehabilitation of the dispossessed families will be monitored by the Rehabilitation cells in the same manner as monitoring of the implementation of the project.
- vii. Where the dispossessed persons are tribals, the Ministry of Welfare and Ministry of Environment and Forests should also be associated with the preparation of their rehabilitation schemes.
- viii. The entire cost of rehabilitation covered in the preceding paragraphs should form part of the project cost. The amount which is required exclusively for rehabilitation purposes should form part of project cost and the financial calculations should take into account these costs while working out the economics of the project. If need be, the amount that is required for meeting the rehabilitation cost may be given by the Government either as grant or as equity depending upon the merits of each case.

5. The undersigned is directed to bring the foregoing decisions of Government which apply equally to public sector enterprises, departmental undertakings and directly executed works of the Central Government to the notice of all Ministries/Departments of the Government of India and to request that suitable instructions may be issued to all the offices/enterprises under their control to give effect to these decisions.

(BPE O.M. No. 15/13/84-BPE(C) dated 3rd February, 1986)

7. Reconstitution of PESB and its Role and Responsibilities

Public Sector Enterprises (PSEs) under the control of the Central Government play a vital role in the development of the national economy. In order to evolve a sound managerial personnel policy for the Public Sector Enterprises and, in particular, to advise government on appointments to the top management posts, the Government of India constituted a Public Enterprises Selection Board (PESB) by a Resolution dated 30th August, 1974. Consequent upon the shift of the secretariat of the PESB from the Department of Public Enterprises to the Department of Personnel & Training from 9th July, 1986, a comprehensive review of the PESB has been made and it has been decided to revise the policy relating to the functions, membership, methodology for selection and infra-structure of the Board, as set out below.

2. Objectives and Functions: The PESB shall, henceforth, function as a professional body with a large measure of autonomy. Its functions shall be:

- (i) to be responsible for the selection and placement of personnel in the posts of Chairman, Managing Director or Chairman-cum-Managing Director (Level-I), and Functional Director (Level-II) in PSEs, as well as in posts at any other level as may be specified by the Government.
- (ii) to advise the Government on matters relating to appointment, confirmation or extension of tenure and termination of the services of personnel of the above mentioned levels;
- (iii) to advise the Government on the desired structure at the Board level, and for senior management personnel, for each PSE or group of PSEs;
- (iv) to advise the Government on a suitable performance appraisal system for both the PSEs and the managerial personnel in such enterprises;
- (v) to build a data bank containing data relating to the performance of PSEs and its officers;
- (vi) to advise the Government on formulation and enforcement of a Code of Conduct and Ethics for managerial personnel in PSEs;
- (vii) to advise the Government on evolving suitable training and development programmes for management personnel in PSEs.

3. Constitution of the Board: The PESB shall consist of one part-time or full-time Chairperson and three full-time Members. The Chairperson and Members shall be persons who have had a long and distinguished career in management of public or private corporations or public administration and have a proven record of achievements, preferably, in the field of personnel, finance, production or marketing. The three full time Members of the PESB shall:

- (a) A distinguished former Chief Executive of a PSE,
- (b) A distinguished behavioural scientist with experience in selection of top management personnel;
- (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs.

4.1 Selection: A committee comprising the following will recommend a panel of names in order of preference for appointments to the posts of Chairperson and Members—

- (a) Cabinet Secretary
- (b) Secretary (Personnel)
- (c) Secretary (Finance)
- (d) Secretary (Public Enterprises)

4.2. The recommendations of the Committee will be submitted to the Appointments Committee of the Cabinet (ACC).

5. Tenure and Age Limit: The Chairperson/Member of the PESB shall hold office for a term of three years from the date on which he assumes charge or until he attains the age of 65 years, whichever is earlier. He shall be eligible for consideration for reappointment for a second term subject to the age-limit of 65 years.

6. Pay and Allowance: Terms and conditions of appointment :-

- (i) The appointment shall be made by the Appointments Committee of the Cabinet (ACC).
- (ii) The pay of the Chairperson and the Members shall be the same and equal to that of Secretary to the Government of India in the revised pay scale.
- (iii) Dearness Allowance and other reliefs on account of increase in the cost of living shall also be admissible at the rates determined from time to time by the Government.
- (iv) The other conditions of service including allowances and benefits shall be as determined by the Government from time to time.

7.1 Selection Policy: The PESB shall not be a mere Interview Board. It shall also constitute itself into a Search Committee to look out for and identify suitable persons who can be appointed to Level-I and Level-II posts in Public Sector Enterprises.

7.2 The policy of the Government is to appoint through a fair and objective selection procedure outstanding professional managers to Level-I and Level-II posts and posts at any other level as may be decided by the Government from time to time. Government have also recognized the need to develop a cadre of professional managers within the public sector. Hence unless markedly better candidates are available from outside, internal candidates, employed in the public sector enterprises, will be preferred for appointment to Board level posts. If internal candidates are not available, preference will be given to candidates working in other public sector enterprises, either in the same area of business or in other areas. Mobility of managerial personnel among public sector enterprises within the same sector or group, failing which mobility within the public sector as a whole will be encouraged, subject to certain limitations. In special cases, recruitment may be made from the organized services under the Central Government. Such cases would be where, because of special circumstances, it is necessary to place a member of an organized service in a public sector enterprise or where because of the nature of the enterprises or its poor health, it would be difficult to attract good professional managers on a tenure basis.

8. This Resolution supersedes the Ministry of Finance (Bureau of Public Enterprises) Resolution No. 5(1)/74/BPE(PESB) dated 30th August, 1974 and subsequent amendments thereto except things done or committed to be done before such supersession.

ORDER

Ordered that the Resolution be published in the Gazette of India Extraordinary, Part-I, Section-I. Ordered also that a copy of the Resolution be communicated to all Ministries/Departments of the Government of India Public Sector Undertakings, State Governments/Administration of Union Territories and all other concerned.

(DOPT Resolution No. 27(21)-E0/86 (ACC) dated 3rd March, 1987)

(Below are two amendments to the above Resolution setting up the PESB.)

DOPT Amendment No.6(9)-E0/89(ACC), dated 6th September, 1989.

The following proviso of the Resolution No. 27(21)E0/86(ACC), dated the 3rd March, 1987, relating to the comprehensive review of the Public Enterprises Selection board published in Part-I Section I of the

Extraordinary Gazette dated 3rd March, 1987 shall be added to paragraph 5 of the Resolution to be effective from 3rd March, 1987:

Provided that in exceptional circumstances, the Chairperson/ Member may be continued beyond the age of 65 years for such period not exceeding one year, as may be specified by the government.

DOPT Amendment No. F. 27(8)E0/93(ACC), dated the 2nd September, 1993.

In partial modification of the Government of India, Ministry of Personnel, Public Grievances & Pension (Department of Personnel & Training) Resolution No. 27(21)E0/86(ACC) dated 3rd March, 1987, the existing words in sub-clause (b) of Para 3 of this Resolution, shall be replaced by:

A distinguished person with experience in selection of top management personnel.

DOPT Amendment No. F. 27(18)E0/99(ACC), dated the 19th April, 2000.

In partial modification of the Government of India, Ministry of Personnel, Public Grievances & Pensions (Department of Personnel & Training) Resolution No. 27(21)E0/86(ACC) dated 3rd March, 1987, the following replacements/additions shall be made:—

- (i) The existing words in sub-para (a) of para 3 of the Resolution be replaced by the following:—
"A distinguished serving or former Chief Executive of a Public Sector or Private Sector or Joint Sector Enterprises."
- (ii) The existing words in sub-para (c) of para 3 of the Resolution be replaced by the following:—
"A distinguished serving or former Civil Servant with experience in management of Public Sector Enterprises or in areas of finance, industry or Economic Affairs."
- (iii) The following be introduced as a proviso below para 3 of the Resolution:—
"Provided that the Chairperson or a Member, who on the date of his appointment to the Public Enterprises Selection Board was in the service of the Central or a State Government, shall be deemed to have retired from such service with effect from the date of his appointment as Chairperson or member, as the case may be, of the Public Enterprises Selection Board".
- (iv) The following be added to the existing Resolution as sub-para 3 of para 7:—
"In special circumstances, the appointment to a particular post or posts in a Public Sector Enterprises may be made other than through the PESB with the prior and specific approval of the Appointments Committee of the Cabinet. The Appointments Committee of the Cabinet while granting such an approval, will also specify the body such as, Search Committee, Selection Committee, or the Civil Services Board, as the case may be, that shall make the selection for that particular post or posts, as well as the selection procedure to be followed for filling the particular post or posts."
- (v) The following be added as sub-para 4 of para 7
"In respect of sick and potentially sick Public Sector Undertakings, the Administrative Secretary of the Ministry/ Department concerned, in consultation with the Public Enterprises Selection Board and with the approval of the Cabinet Secretary, could take a decision at any stage in the process of recruitment to the post of Chairman, Managing Director or Chairman-cum-Managing Director of the Public Sector Enterprises, to take a person on deputation from any of the All India or Group 'A' Central Services without insisting on the rule of immediate absorption."

(No. 27(21)/EO/86 (ACC) dated 3rd March, 1987)

8. Flying of the National Flag at the office building of Departmental/ Public Sector Undertaking

I am directed to forward herewith a copy of the letter No. 15/8/86-Public dated the 28th August, 1986 received from the Ministry of Home Affairs on the above subject. It is requested that the instructions contained in the MHA letter referred to above, may please be complied with and a report on the implementation of these instructions may please be furnished to the Ministry of Home Affairs directly under intimation to BPE.

Copy of MHA letter No.15/8/86-Public dated 28th August, 1986 regarding Flying of the National Flag at the office buildings of Departmental/Public Sector Undertakings

I am directed to say that it has been decided that the National Flag shall be flown at the office buildings of departmental/public sector undertakings also. In this connection, 'Flag Code-India' as amended is as under:

In Section X, Sub-Section 10.1 of 'Flag Code-India' for the existing entry (a), the following entry shall be substituted, namely:

“(a) Normally the National Flag should be flown only on important public buildings such as High Courts, Secretariats, Commissioners' Offices, Collectorates, Jails and offices of the District Boards, Municipalities, Zilla Parishads and Departmental/Public Sector Undertakings”.

I am to request that the above amendment may please be brought to the notice of the concerned authorities and a report on the implementation of the above instructions may be furnished to this Ministry by 30th November, 1986.

(BPE O.M. No. 16(38)/87-GM dated 22nd May, 1987)

9. Proposing/postponing of Weekly off in Public Sector Undertakings due to the “BUNDH” calls given by fundamentalist or communal organisations.

The undersigned is directed to say that some instances have come to the notice of the Government where Public Sector Undertakings have preponed their Weekly holiday by one day and such a decision was taken at the instance of Employees' Union dominated by a fundamentalist organization which had called for a “BUNDH” on a working day. The Employees' Union, with a view to ensure the closure of the factory to coincide with the “BUNDH” has asked for the pre-ponement. The decision to prepone the Weekly holiday was also not conveyed to the employees well in time. With the result that some of the employees reported to duty as they were not aware of the decision of the Management.

2. It is therefore desirable that very careful consideration is given by the Management of the PSUs to such matters so that there is no feeling that the Management of PSUs are yielding to the pressure from fundamentalists or communal forces.

3. Ministry of Agriculture etc. may please see for suitably advising the PSUs under their administrative control in this regard.

(BPE O.M. No.16/53/87-GM dated 18th August, 1987)

10. Description in Hindi on the commodities manufactured by the Public Enterprises.

The undersigned is directed to refer to the Department of O.L.'s O.M. No. 14011/1/76-O.L. (A.I.)

dated the 27th Feb., 1976 on the subject mentioned above and to state that the description on various types of commodities manufactured by the Central Government Enterprises is given only in English which is contrary to the official language policy.

2. This matter was very recently discussed in the meeting of the Hindi Advisory Committee of the Ministry of Planning and it was recommended that the Public Enterprises should give description on all the commodities/items manufactured by them in Hindi also along with English.

3. All the Ministries/Departments concerned with the Public Enterprises are therefore, requested to issue necessary orders on the subject referred to above to the Public Enterprises under their administrative control under intimation to this office.

(BPE O.M. No. 16/11/89-GM dated 9th May, 1989)

11. Liability of Government of India in respect of contracts relating to commercial activities abroad of Indian public sector undertakings — Immunity from jurisdiction of foreign courts — insertion of a clause in such contracts regarding.

The undersigned is directed to state that a few cases have come to notice in which Indian Public Sector Undertakings (PSUs) have been sued in courts of USA and other countries where Government of India have been dragged into litigation. The most recent case of this nature is the civil suit filed by M/s Woodstock Energy Inc. Texas against Minerals and Metals Trading Corporation of India Ltd. (MMTC). Government of India has been dragged into the litigation on the ground that the PSUs like MMTC are alter egos' of the Government of India and there exist a principal—Agent relationship.

2. To avoid recurrence of such cases in future, various remedial measures have been considered by the M/o Commerce in consultation with the M/o External Affairs, M/o Law and the Attorneys in USA. As a result of protracted deliberations, it has been suggested that the following clauses should be incorporated by PSUs while entering into contracts with USA/other foreign companies:

“It is expressly understood and agreed by and between (the corporation) and _____ (the Indian PSU) that _____ (the Indian PSU) is entering into this agreement solely on its own behalf and not on behalf of any other person or entity. In particular, it is expressly understood and agreed that the Government of India is not a party to this agreement and has no liabilities, obligations or rights hereunder. It is expressly understood and agreed that _____ (the Indian PSU) is an independent legal entity with power and authority to enter into contracts solely in its own behalf under the applicable Laws of India and general principles of Contract Law. The (company) expressly agrees, acknowledges and understands that _____ (the Indian PSU) is not an agent, representative or delegate of the Government of India. It is further understood and agreed that the Government of India is not and shall not be liable for any acts, omissions, commissions, breaches or other wrongs arising out of the contract. Accordingly, (corporation) hereby expressly waives, releases and foregoes any and all actions or claims, including cross claims, impleader claims or counter claims against the Government of India arising out of this contract and convenients not to sue the Government of India as to any manner, claim, cause of action or thing whatsoever arising of or under this agreement”.

3. All the administrative Ministries/Departments concerned with Public Sector Undertakings are, therefore, requested to bring the foregoing to the notice of PSUs under their administrative control and advise them to adopt the clause mentioned in para 2 above mutatis-mutandis in entering into contracts with American/foreign companies. It would be relevant to mention here that incorporation of the above clause will not provide an

impeachable guarantee against Government of India or any other Public Sector Undertaking than the one contracting with the U.S. Company. However, this clause may enable Government of India or their PSU concerned to at least make out an agreeable case to the effect that US Company had waived its right to sue the Government of India and other PSUs, which are not parties to the contract.

(DPE O.M. No. 16(10)/90-GM dated 9th November, 1990.)

12. Review of Guidelines

The Committee of Secretaries have reviewed the “guidelines” issued from time to time by the Department of Public Enterprises based on the decisions of Government on various issues. The object of review is to ensure that the number of guidelines are reduced to the barest minimum so that the enterprises could function with the required autonomy and Government interface with the public sector enterprises would be only on very important policy issues. Separately an exercise is going on to indicate which of these guidelines should be treated as “mandatory” and other guidelines being treated only for “guidelines only”.

Apart from the circulars issued by the DPE communicating the decision of the Government, administrative Ministries and Departments also issue directions and advice to the PSEs under their administrative control. Very often these affect the autonomy and operational freedom of the enterprises. The Committee of Secretaries in its meeting held on 26.12.90 have decided that all guidelines issued or proposed to be issued should invariably be issued through the DPE to ensure common policies and that they do not vitiate the “arm’s-length” relationship with public enterprises.

In view of the decision taken above all Ministries/Departments should, in future, forward whatever instruction/guidelines they wish to pass on the PSEs under their administrative control, to the DPE which will function as nodal point to clear such guidelines before issue in order to ensure common policies.

(DPE O.M. No. 6(6)/88(Coord) dated 25th January, 1991)

13. Review of Guidelines

In continuation of this Department’s O.M. of even number dated 25.1.91 (copy enclosed) regarding Presidential Directives/Guidelines to be issued to the Public Sector Undertakings, the matter has been further considered with a view to clarify/consolidate the Government instructions on the subject. It has now been decided that whatever instructions the Government wish to give to the PSUs would broadly fall in following two categories:

- (i) **Presidential Directives**—These are issued by the administrative ministries to the concerned PSUs whenever the situation so warrants and are mandatory in nature. For the purpose of maintaining uniformity, such Directives shall be issued in consultation with the DPE if these relate to single PSU and with the concurrence of the DPE if these are applicable to more than one PSU. Further, the DPE could also ask the administrative Ministries to issue Presidential Directives to one or more PSU on policy issues requiring a uniform approach.
- (ii) **Guidelines**—These could be issued either by the administrative Ministry or the DPE as the case may be and will be advisory in nature. The Board of Directors of the PSUs will have the discretion not to adopt these guidelines for reasons to be recorded in writing. The Board Resolution on the subject giving the reasons therein should be forwarded both to the administrative Ministry concerned as well as to the DPE.

2. All Ministries/Departments are requested that the henceforth they should forward the Presidential Directive(s) proposed to be issued to PSUs in draft form to the DPE.

3. This issues with the approval of the Cabinet Secretary.

(DPE O.M. No. 6(6)/88 (Coord) dated 8th April, 1991)

14. Declaration of additional holidays for Central public sector undertakings

I am directed to forward herewith a copy of this Department's DO No.1322/JS(M)/93 dated 14th October, 1993 addressed to the Secretary, SCOPE on the subject mentioned above for information and guidance.

Copy of D.O. No. 1322/JS(M)/93 dt.14th October,1993 regarding additional holidays

Please refer to your letter No.SCOPE-93/GH/1028 dated 17th September, 1993 regarding coverage/non-coverage of PSUs in Central Government notifications pertaining to holidays in Central Government offices/establishment etc. Generally, Central Government notifications in this regard are not applicable to Central PSUs unless otherwise stated. The latter category is very rare. Therefore, Public Sector Undertakings management are free to take decisions in the subject and need not necessarily follow the Central Government holiday pattern/schedule. As a matter of fact the suggestion made by you in your aforesaid letter that PSUs should decide the matter pertaining to holidays independently is already in force. If there is any doubt in the subject you may like to issue a clarificatory letter to all PSUs that unless otherwise specifically stated Central Government notifications pertaining to holidays in Central Government offices/establishments etc., are not *ipso facto* applicable to PSUs. However, national holidays like 26th January, 15th August & 2nd October should be observed.

(DPE letter No. 17(1)/90-GM dated 5th January, 1994)

15. Reimbursement of return air/rail fare to candidates called for selection by Public Enterprises Selection Board.

The undersigned is directed to refer to this Department's O.M. No. 16/72/82-GM.II dated 8th March, 1983 on the subject mentioned above, which was cancelled vide this Department's O.M. No. 20(5)/95-DPE(GM) dated 10th December, 1997 and to state that with the cancellation of the above mentioned OM, Public Sector Enterprises have expressed difficulties in regularising reimbursement of travel expenses of candidates called for interview by Public Enterprises Selection Board (PESB) for various top level posts in public enterprises. The position was reviewed and after careful consideration, it has been decided to restore this Department's OM dated 8th March, 1983 with the following modifications:

- a) Candidates from Government/Public Enterprises may be treated as on duty/as on tour and could claim TA from their respective Organizations. This could be reimbursed by the public enterprise for which the recruitment has been done on a claim preferred by the candidate's organization.
- b) Candidates from private sector could be reimbursed their actual air/rail fare and an amount towards board, lodge and transport expenses admissible to the executives of PSEs of one step below the level of the post for which the interview is being held. The candidates may claim these expenses from the respective PSEs on a certificate to be given by the PESB at the time of interview.

2. All the administrative Ministries are requested to kindly issue necessary instructions to the public sector undertakings under their administrative control.

(DPE O.M. No. 18/19/98-GL-016/DPE(GM) dated 11th March, 1999)

- 16. Letter dated 3rd December, 2003 from Ministry of Environment and Forests—Hon'ble Supreme Court's Order dated 14.10.2003—W.P./657/1995 (Research Foundation for Science, Technology and Natural Resources Policy Vs. Union of India & Others) on auction of Hazardous Wastes by Public Sector Undertakings through Units Registered with MoEF having ESM facilities and not through open auction.**

The undersigned is directed to forward herewith a copy of D.O. letter No. 23-2/96-HSMD Vol. X dated the 3rd December 2003 from Ministry of Environment & Forests on the subject mentioned above with the request that necessary direction may kindly be issued to the PSUs under administrative control of Ministries/ Departments for necessary compliance.

Copy of D.O. letter No. 23-2/96-HSMD-Vol. X dated the 3rd December, 2003 from Joint Secretary, Ministry of Environment and Forests

As you are aware, the Ministry of Environment & Forests (MoEF) has been regulating the recycling/reprocessing of certain identified hazardous wastes such as used/waste oil, used lead acid batteries and other non-ferrous metal wastes including copper, brass and zinc wastes, under a Registration Scheme, since 1999, with the objective of channelizing; such wastes to only those units which possess Environmentally Sound Management (ESM) facilities.

2.0 The Registration Scheme is now being implemented by Central Pollution Control Board (CPCB) under the provisions of Hazardous Wastes (Management & Handling) Rules 2003, and CPCB regularly updates the list of Registered units in its website <http://cpcb.delhi.nic.in>. At the time of launching of this scheme, several Public Notices were issued by the CPCB on behalf of MoEF during the year 1999-2000 informing of the requirement of selling/auctioning these identified hazardous wastes only to such units granted registration by MoEF.

3.0 Communications have also been issued by MoEF from time to time to all the Central Ministries in this regard. In spite of the same, it has been noticed that most major generators of these wastes, including Government departments/agencies continue to auction/sell these hazardous wastes to unregistered users through open sale/tender.

4.0 Recently, Hon'ble Supreme Court in its order dated 14th October, 2003 in the matter of WP 657/1995 (Research Foundation for Science, Technology & Natural Resource Policy Vs. Union of India & Others) on Hazardous Wastes Management has again directed MoEF "to issue directions to all Public Sector Institutions not to openly auction their hazardous wastes but only to those who are registered units having ESM facilities".

5.0 It is therefore, once again urged that suitable directions may kindly be issued immediately to all the Public Sector Units, Departments, Field Offices, Autonomous bodies etc. under your administrative control to ensure that the order of the Hon'ble Supreme Court regarding auction of hazardous wastes are complied with strictly.

6.0 I would also request you to kindly furnish an 'Action Taken Report' in this regard to enable us to file the same to the Hon'ble Supreme Court.

(DPE O.M. No. 16(2)/2004-DPE(GM)/GL-54 dated 12th January, 2004)

17. Enterprises to State Government for answering Question in the State Legislatures.

- Ref:** 1. GI No.: BPE OM No. 9(133)/73-BPE(GM-II) dated 10th July, 1974.
2. GI No.: BPE OM No. 16/41/87-GM dated 26th October, 1988.

The undersigned is directed to refer to the above mentioned OMs listing out procedure for furnishing material by Central Govt. Industrial and Commercial Enterprises to State Government for answering questions in the State Legislatures and it has been decided to issue consolidated guidelines on the subject merging these two guidelines into one. The question was raised as to the policy that Central Government Industrial and Commercial Enterprises should follow in responding to requests for information made by State Governments for answering Question raised in the State Legislatures. This matter was examined in consultation with the Department of Parliamentary Affairs and the Ministry of Law during 1973-74.

2. It is considered that, on matters, which come under the State List, the enterprises may furnish information directly to the State Government. However, on all sensitive issues, which may attract the responsibility of Central Government and Parliament, it would be necessary for the enterprises to furnish information to the State Government in consultation with their administrative Ministries at the Center.

3. Reference was also invited to the guidelines issued by this Ministry on the admissibility of Questions relating to public enterprises in Parliament on June 4, 1969. These guidelines have been forwarded to the State Governments with a request that they may evolve similar guidelines in consultation with their Presiding Officers.

4. Further, the policy to be followed in respect of subjects falling in the Concurrent List was also examined in consultation with the Ministry of Law and the Ministry of Parliamentary Affairs during 1987-88. It was decided that the public sector undertakings can supply information on these subjects directly to State Government whenever the information asked for is of simple and factual nature and that the same would not lead to any controversy. In case, the public sector undertakings feel that the information asked for is of sensitive or confidential nature, they should seek the advice/approval of the Central administrative Ministry concerned before supplying the same to the State Government/State Legislature/Committees of State Legislatures.

5. All administrative Ministries/Departments are requested to ensure compliance and to bring the contents of these guidelines to the notice of the PSEs under their administrative control.

(DPE O.M. No. 42011/23/2004-Admn. GL-I dated 10th February, 2005)

18. Review of Purchase Preference Policy for Products and Services of Central Public Sector Enterprises (CPSEs) in view of the judgement of the Supreme Court of India in the matter of M/s Caterpillar India Pvt. Ltd. v/s Western Coalfields Limited and Ors dated 18.5.2007.

The undersigned is directed to refer to this Department's O.M. no. DPE.13(12)/2003-Fin. Vol. II dated 18.7.2005 regarding extension of Purchase Preference Policy for Products and Services of CPSEs for a further period of three years beyond 31.3.2005 with certain modifications.

2. The Supreme Court of India in its judgement in the transferred Civil Petitions of 2004 from the different High Courts in the matter of M/s Caterpillar India Pvt. Limited v/s Western Coalfields Limited and Ors. Observed that imposing a condition like purchase preference no option is left and a monopoly is being created. Any increase in the effectiveness of PSEs cannot be done on a uniform basis without examination as to whether such protection is necessary for a particular PSE. Further, it has to be examined on a case to case basis as to whether any differential treatment is called for. There may not be any competition left if 10% margin is allowed. It was also contended that the preference should be given PSE specific and the margin to be allowed should be examined rationally. Because of the substitution of the word 'may' by 'will' there is essentially a

reversal of the policy. While giving its judgement, the Supreme Court also expressed its views which inter-alia includes the following:

- (a) Industry-wise assessment to be done by the concerned Ministries and in case of cost effectiveness is achieved by any PSEs there may not be any need for extending preference to such PSEs. Such examination should be done on the line as to whether any preference is at all called for and the extent of margin of preference to be allowed, which would also ensure level playing field for others. Further, while splitting the tenders, the minimum quantity/amount should be so fixed as to ensure that it is rational and there is no element of uncertainty. In other words, there should not be any rigid / inflexible purchase preference policy without examination as to whether such protection is necessary for a particular PSE;
- (b) Present practice of allowing uniform margin of 10% over the L-1 bidder, as purchase preference to CPSEs, has to be reviewed and margin should be fixed PSE specific by the concerned Ministry on a rational basis;
- (c) The overall impact of such preference to be allowed on foreign direct investment has also to be assessed/considered.

The Supreme Court through its judgement dated 18.5.2007 inter alia directed that the exercise, as noted above shall be undertaken by the concerned Ministry of the Central Government within a period of 4 months from the date of the judgement.

3. In view of the above mentioned judgement of the Supreme Court of India, the Government again reviewed the Purchase Preference Policy for Products and services of Central Public sector Enterprises on 25.10.2007 and decided to reiterate its decision dated 30.6.2005 that the purchase preference policy will be terminated with effect from 31.3.2008. The Government also decided that the preferential purchase policies framed for the specific sectors by the concerned Ministries/ Departments within relevant Act of Parliament or otherwise do not come within the purview of this decision. The concerned Ministry/Department may independently evolve/review preferential policies for the sectors of their concern, as per their requirement.

4. All the administrative Ministries/Departments are requested to take note of the above mentioned decision of the Government and also bring it to the notice of the CPSEs under their administrative control for information and necessary compliance.

(DPE OM No. DPE/13(15)/2007-Fin dated 21st November 2007)

19. Setting up of crèches near work places and in the offices of PSEs to facilitate working women and employees having pre-school or primary school going children.

The President's address to joint session of Parliament mentioned that concerted efforts to increase representation of women in Central Government may be made. Government has since decided to make mandatory provision of crèche facilities near work places, keeping in view the dual responsibilities borne by working women and their increasing practical difficulties in balancing work and family responsibilities.

2. The issue has been considered further and it has been decided to make provision of crèche facilities and its further enhancement in Public Sector Enterprises (PSEs). The setting up of crèche facility is to be made mandatory in the offices of Central Public Sector Enterprises (CPSEs)/near work place where the employees, male and female, have pre-school or primary school going children.

3. All the administrative Ministries/Departments concerned with CPSEs are requested to issue instructions to the Heads of CPSEs under their administrative control for compliance. Action taken in this regard may kindly be informed to this Department.

[DPE OM No. 15(2)2009-DPE(GM)-GL-97 Dated 17th August ,2009]

20. Uniformity in facilities available to woman employees of CPSEs like Maternity Leave and Child Care Leave.

The undersigned is directed to say that woman employees of CPSEs have facilities like Maternity Leave and Child Care Leave available to them. However, different CPSEs differ in so far as the maximum number of days for which these facilities are available and also in some extreme cases it is found that a particular section of woman employees is excluded from grant of a certain kind of leave (Central Coalfields Ltd.). In this connection, representations have been received from the Forum of Women in Public Sector (WIPS).

2. At present, woman employees of the Central Government have the following facilities:-

- (a) Maternity Leave up to a maximum period of 180 days (O.M. No. 13018/2/2008-Estt.(L) dated 11th September 2008 of DOPT).
- (b) Child Care Leave up to a maximum period of 2 years i.e. 730 days (O.M. No. 13018/2/2008-Estt.(L) dated 11th September 2008 and 29th September 2008 of DOPT).
- (c) Child Adoption Leave up to a maximum of 180 days (O.M. No. 13018/1/2009-Estt.(L) dated 22nd July 2009 of DOPT).
- (d) In addition, for the benefit of the family there is a provision of Paternity Leave up to a period of 15 days (O.M. No. 13018/2/98-Estt.(L) dated 16th July 1999 of DOPT).

and protection as granted vide Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal Act-2013 dated 9th December,2013).

3. The CPSEs formulate their own H.R. rules with the approval of their respective Boards in consultation, if required, with the concerned Ministries / Departments. In the interest of ensuring the welfare of women employees, these HR rules must, incorporate all statutory provisions. Regarding other welfare measures, all the administrative Ministries / Departments are requested to advise the CPSEs under their administrative control to bring some uniformity in their rules in line with similar facilities available to women employees of the Central Government with approval of the respective Boards. In any case there should be no variation in such measures between different grade of employees within a single CPSE.

21. Short-coming in Bid documents.

The undersigned is directed to forward herewith a copy of Central Vigilance Commission (CVC) Circular No.01/04/14 dated 29th April, 2014 on the subject mentioned above and to say that all Ministries / Department may kindly bring its contents to the notice of all Central Public Sector Enterprises (CPSEs) under their administrative control for compliance.

Sub: Short-coming in bid documents

Ref: Commission's circular No. 33/7/03 dated 9th July, 2003

The Commission has been impressing upon all Organisations to ensure transparency and fairplay in all procurements/contracts. One of the concern relates to the short-comings in framing of NITs and bid documents which results in ambiguity and scope for interpretation differently during processing and award of contracts by the organisations.

2. The Commission had vide its Office Order No. 33/7/03 dated 9th July, 2003, advised that whatever pre-qualification, evaluation/exclusion criteria, etc. which the organisation wants to adopt should be made explicit at the time of inviting tenders so that basic concept of transparency and interests of equity and fairness are satisfied. The acceptance/rejection of any bid should not be arbitrary but on justified grounds as per the laid down specifications, evaluation/exclusion criteria leaving no room for complaints as after all, the bidders spend a lot of time and energy besides financial cost initially in preparing the bids and, thereafter, in following up with the organisations for submitting various clarifications and presentations.
3. The above instructions are related for compliance by all Ministries/Departments/Organisations.

22. Sixty-Second (62nd) Report of the “Status of Women Government Employees, Service Conditions, Protection against exploitation, Incentives and other related issues” by the Department related Parliamentary Standing Committee on Personnel, Public Grievances, Law & Justice –reg.

The undersigned is directed to refer to recommendation No. 15 & 17 of Sixty-Second (62nd) Report of the “Status of Women Government Employees, Service Conditions, Protection against exploitation, Incentives and other related issues” by the Department related Parliamentary Standing Committee on Personnel, Public Grievances, Law & Justice, the relevant extracts of which have been forwarded by Department of Personnel & Training (DoPT) for compliance by all Ministries/ Departments.

2. The recommendations of the Parliamentary Standing Committee are reproduced below:

Recommendation no.-15: The Committee feels that the WIPS Cell should be constituted in all organizations and that the organizations should nominate their employees for State/Regional level WIPS seminars, meetings etc.

Recommendation no.-17: The Committee stresses upon the need for adequate avenues to be made available for the women employees, in order to facilitate experience sharing, confidence building etc. The Committee is happy to note that in an organization (State Bank of India), an Aspiration and Social Networking site for Bank employees has been set up wherein they can freely exchange views. The Committee also appreciates the initiatives taken by some organizations for facilitating free exchange of views of employees via intranet and wishes that other organizations may also follow suit.

3. In compliance with the recommendations of the Parliamentary Standing Committee, all the administrative Ministries / Departments are requested to advise the CPSEs under their administrative control to constitute a WIPS cell (Women in Public Sector Cell) and nominate their employees for participation in State/Regional level WIPS seminars/meeting etc.

4. Further, Ministries / Departments are requested to advise the CPSEs to formulate an enabling H.R. policy with the approval of their respective Boards in consultation with the concerned Ministries / Departments, if required, which facilitates experience sharing among employees, helps in their confidence building, ensures speedy redressal of their grievances, etc. Mentoring and career counselling are also advised.

5. The action taken in this regard should be sent directly to the DoPT through the respective administrative Ministries / Departments, for onward submission to the Rajya Sabha Secretariat. DPE may also be apprised of the action taken.

This issues with the approval of Secretary, DPE.

[DPE OM No. 6(1)/2014-DPE (GM) dated 19th August, 2014]

23. Extending Courtesies towards Members of Parliament-reg.

I am directed to refer OM No. 12/2/2014/CoPV dated 28-11-2014 received from Lok Sabha Secretariat on the above subject and to forward the instructions contained in DoPT OM No. 11013/4/2011-Estt. (A) dated 1-12-2011 (copy enclosed) for strict compliance.

Subject: Official dealings between the Administration and Members of Parliament and State Legislatures – Observance of proper procedure.

The Members of Parliament and State Legislatures as the accredited representatives of the people occupy a very important place in our democratic set-up. In connection with their duties, they often find it necessary to seek information from the Ministries/Department of the Government of India or the State Governments, or make suggestions for their consideration or ask for interviews with the officers. Certain well-recognized principles and conventions to govern the relations between the Members of Parliament/ State Legislatures and Government servants have already been established.

2. Reference is invited to the guidelines concerning the official dealings between Administration and Members of Parliament and State Legislatures which were issued by the Cabinet Secretariat (Department of Personnel and Administrative Reforms, in the O.M. No. 25/19/64-Estt. (A) dated 08.11.1974). The importance of adherence to these guidelines was reiterated in the Department of Personnel and Training's O.M. No. 11013/6/2005-Estt. (A) dated 17.08.2007. The provisions of the Central Secretariat Manual of Office Procedure regarding prompt disposal of communications from MPs have also been reiterated by the Department of Administrative Reforms and Public Grievances. The Minister of State for Personnel, Public Grievances and Pensions has also written to all Ministers in this regard vide D.O. letter dated 5th May, 2011, requesting that a mechanism may be set up to periodically monitor progress in disposal of references received from Members of Parliament.

3. Some instances of non-adherence to the existing guidelines have been brought to Government's attention by Members of Parliament and a need has been felt for again sensitizing all administrative concerned.

4. The Central Secretariat Manual of Office Procedure provides following instructions for prompt disposal of letters from Members of Parliament:-

Correspondence with Members of Parliament –

- (1) Communications received from a Member of Parliament should be attended to promptly.
- (2) Where a communication is addressed to Minister or a Secretary to the Government, it should, as practicable, be replied to by the Minister or the Secretary himself as the case may be. Where it is not practicable for the Minister to reply, a reply should normally be issued under the signature of an officer of the rank of Secretary to the Government.
- (3) Where a communication is addressed to the head of an attached or subordinate office, Public Sector Undertakings, Financial Institutions (Including nationalized banks) Division/Branch

in charge in a Ministry /Department/organization, it should be replied to by the addressee himself. In such cases, care may be taken to ensure that wherever policy issues are involved, approval of the competent authority is obtained before a reply is sent. It should, however, be ensured that the minimum level at which such replies are sent to member of Parliament is that of Under Secretary and that also in a polite letter form only.

- (4) Information sought by a member of Parliament should be supplied unless it is of such a nature that it would have been denied to him, if similar information had been sought in Parliament.
- (5) While corresponding with Members of Parliament, it should be ensured that the letter is legible. Per-printed or cyclostyled replies should be scrupulously avoided.
- (6) In case a reference from an ex-member of Parliament is addressed to a Minister of State, reply to such reference may be sent by the concerned Divisional Head after obtaining approval of the Secretary of Ministry/Department.

In case the reference is addressed to a lower level officer, reply to such reference could be sent by the officer on his own in non-policy cases and after obtaining approval of the higher authorities in policy cases. Here also, it may be ensured that the minimum level at which a reply is sent is that of an Under Secretary and that too in a polite letter form only.

Prompt response to letters received-

- (1) Each communication received from the Member of Parliament, a member of the public, a recognized association of a public body will be acknowledged within 15 days, followed by a reply within the next 15 day of acknowledgement sent.
- (2) Where a delay is anticipated in sending a final reply, or where the information has to be obtained from another Ministry or another office, an interim reply may be sent within a month (from the date of receipt of the communication) indicating the possible date by which a final reply can be given.
- (3) If any such communication is wrongly addressed to a department, it should be transferred promptly (within a week) to the appropriate department under intimation to the party concerned.

5. The aforesaid guidelines also cover Official dealings between Administration and Members of Parliament /State Legislatures. In this context, attention is also invited to Rule 3(2A) of All India Service (Conduct) Rule, 1968 and Rule 3-A of Central Civil Service (Conduct) Rules, 1964 Which provide as follows:-

Every member of the service shall in the discharge of his duties act in a courteous manner and shall not adopt dilatory tactics in his dealings with the public or otherwise.

The existing instructions are hereby appropriately strengthened to emphasize the basic principles to be borne in mind by the Government servants while interacting with the Members of Parliament and State Legislatures. These are as follows:—

- (i) Government servants should show courtesy and consideration to Members of Parliament and State Legislatures,
- (ii) While the Government servants should consider carefully or listen patiently to what the Members of Parliament and of the State Legislatures may have to say, the Government servant should always act according to his own best judgment and as per the rules,

- (iii) Any deviation from an appointment made with a Members of Parliament/State Legislature must be promptly explained to him to avoid any possible inconvenience. Fresh appointment should be fixed in consultation with him,
- (iv) An officer should be meticulously correct and courteous and rise to receive and see off a Member of Parliament/State Legislature visiting him. Arrangements may be made to receive the Members of Parliament when, after taking prior appointment, they visit the officer of the Government of India, State Government or local Government. Arrangements may also be made to permit entry to vehicles of the Members to these Offices subject to security requirements/restrictions;
- (v) Members of Parliament of the area should invariably be invited to public functions organized by a Government office. Proper and comfortable seating arrangements at public functions and proper order of seating on the dais should be made for Members keeping in view the fact that they appear above officers of the rank of Secretaries to Government of India in the Warrant of Precedence, The invitation cards and media events, if organized for the function held in the constituency, may include the names of the Members of that constituency who have confirmed participation in these functions.

It is clarified that if a constituency of any Member of Parliament is spread over more than one District, the M.P should invariably be invited to all the functions held in any of the Districts which are part of his/her constituency;
- (vi) Where any meeting convened by the Government is to be attended by Members of Parliament, special care should be taken to see that notice is given to them in good time regarding the date, time, venue etc. of the meeting. It should also be ensured also be ensured that there is no slip in any matter of detail, however minor it may be. It should especially be ensured that:-
 - (a) Intimations regarding public meetings/functions are sent through speedier communication devices to the M.Ps, so that they reach them well in time, and
 - (b) That receipt of intimation by the M.P is confirmed by the officer/official concerned;
- (vii) Letters from Members of Parliament and Members of State Legislatures must be promptly acknowledged, and a reply sent at an appropriate level expeditiously as per the relevant provisions of the Central Secretariat Manual of Office Procedure;
- (viii) Information or statistics relating to matters of local importance must be furnished to the MPs and MLAs when asked for. The information so supplied should be specific and answer the points raised. A soft copy of the information should also be sent to the Member via e-mail;
- (ix) If the information sought by a Member of Parliament cannot be given and is to be refused, instructions from a higher authority should be taken and the reasons for not furnishing the information should be given in the reply;
- (x) Wherever any letter from a Member of Parliament is in English and the reply is required to be given in Hindi in terms of the Official Languages Act, 1963 and the rules framed there under, an English Translation should also be sent along with the reply for the convenience of such Members of Parliament from non-Hindi Speaking areas;
- (xi) References from the Committee of Parliament must be attended to promptly;

- (xii) The officers should not ignore telephonic messages left for them by the Members of Parliament/ State Legislatures in their absence and should try to contact at the earliest the Member of Parliament/State Legislature concerned. These instructions also include SMS and e-mails received on official mobile telephones which also should be replied to promptly and on priority;
- (xiii) All Ministries/Department may ensure that the powers of Members of Parliament/State Legislatures as Chairpersons/Members of committees under various Centrally Sponsored/ Central Sector government schemes are clearly and adequately defined; and
- (xiv) A Government servant should not approach MPs/MLAs for sponsoring his individual case as bringing or attempting to bring political or non-official or other outside influence is prohibited under the conduct Rules e.g. Rule 18 of the All India Service (Conduct) Rules, 1968 and Rules 20 of the Central Civil Services (Conduct) Rules.

(DPE OM No. 0081/2014-GM-FTS 2163 Dated The 29th December, 2014)

24. Citizen Charter in CPSEs.

The Parliamentary Standing Committee on Ministry of Personnel, Public Grievances & Pensions and Ministry of Law & Justice Recently reviewed the implementation of Government policy on Citizen Charter by certain PSUs. The Committee noticed that in some cases the Citizen Charter was not available on the web-site of the PSUs. The Committee has desired that PSUs formulate and host the Citizen Charter on their web-site. The Committee also desired that the PSUs should constantly review the “Vision& Mission” in the Citizen Charter.

2. the Central Public Sector Enterprises (CPSEs) should follow the guidelines for formulation and implementation of the Citizen Charter as prescribed by Ministry of Ministry of Personnel, Public Grievances & Pensions, Department of Administrative Reforms and Public Grievances, from time to time. In this regard the information available at <http://goicharters.nic.in/> may be referred to.

3. All Ministries / Departments are requested to suitably advise CPSEs under their respective administrative jurisdiction in this regard.

(DPE OM No. DPE-GM/0001/2015-GM/FTS 3207 Dated 19th January, 2015)

25. Enrolment of CPSEs employees / contract workers etc. under AADHAR enabled system.

AADHAR bio-metric attendance system has been introduced in offices of Central Government including attached/sub-ordinate offices. In this regard a copy of DoPT Office Memorandum dated 21th November, 2014 is enclosed.

Administrative Ministries / Departments concerned with CPSEs are requested to advise CPSEs under their administrative jurisdiction to adopt AADHAR Card for enrolment of CPSEs employees and Contract/ Daily workers for various purposes like attendance, payment of wages, PF,ESI etc.

Subject : Introduction of AADHAR Enabled Bio-metric Attendance System

It has been decided to use an AADHAR Enabled Bio-metric Attendance System (AEBAS) in all offices of the Central Government, including attached/ sub-ordinate Offices, in India. The system will be installed in the offices located in Delhi/ New Delhi by 31st December 2014. In other places this may be installed by 26th January 2015

2. The equipment will be procured by the Ministries/ Departments as per specifications of DeitY on DGS&D Rate Contract from authorized vendors. The expenditure will be met by the Ministries/ Departments concerned under their O.E. The manual system of attendance may be phased out accordingly.

3. The Department of Electronics and Information Technology (DeitY) will provide the technical guidance for installing the system. The equipment already procured by DeitY have a built in AMC of three years. The Ministries/ departments may ensure that the equipment being procured by them have similar provision.

4. Biometric attendance system is only an enabling platform. There is no change in the instructions relating to office hours, late attendance etc. which will continue to apply. As per extant instructions, (contained in DoPT O.M. No: 28034/8/75- Estt-A dated 04-07-1975; No:28034/10/75-Estt-A dated 27-08-1975; No: 28034/3/82 -Estt-A dated 05-03-1982) half-a-day's Casual Leave should be debited for each day of late attendance, but late attendance upto an hour, on not more than two occasions in a month, and for justifiable reasons may be condoned by the competent authority. In addition to debiting Casual Leave (or Earned Leave, when no CL is available). Disciplinary action may also be taken against government No: 11013/9/ 2014- Estt (A-III), dated 21-11-2014 servants who are habitually late. Early leaving is also to be treated in the same manner as late coming.

5. These orders come into force with immediate effect.

6. All Ministries/ Departments are requested to bring this to the notice of all concerned.

(DPE OM No. DPE-GM/0209/2014-GM/FTS 3113 Dated 27th January, 2015)

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