

कोल इण्डिया लिमिटेड

(भारत सरकार का उपक्रम)

COAL INDIA LIMITED

(A Govt. of India Enterprise)

कोल भवन "COAL BHAWAN"

PREMISE NO: 04, MAR, PLOT NO: AF-III

ACTION AREA-1A, NEW TOWN, RAJHARHAT

KOLKATA-700156 (WB)



एक महारत्नकंपनी

A Maharatna Company

PERSONNEL DIVISION

POLICY CELL

CIN:L23109WB1973GOI028844

E-MAIL: policycell.cil@coalindia.in

TEL: 033-7110 4282

FAX: 033-2324 4140

WEBSITE: www.coalindia.in



(An ISO 9001:2015, ISO 14001:2015 & ISO 50001:2011 Certified Company)

संदर्भ सं: CIL/C5A (PC)/PRP 2017/280

Date: 18.10.2019

## कार्यालय ज्ञापन

**विषय: Methodology for payment of Performance Related Pay (PRP) under 2017 Pay Revision of CIL & its Subsidiaries**

Under 2017 Pay Revision, Performance Related Pay (PRP) is one of the components of Pay which is payable to all eligible Executives including Board level Executives from the FY 2017-18 & onwards. In this regard, CIL Board, in its 392<sup>nd</sup> meeting held on 21.09.2019 under Item No. 392:4(A), approved the methodology i.e., the admissibility, quantum and procedure for payment of PRP.

A copy of the approved methodology is enclosed for information and compliance by all concerned.

Encl.: As above.

8/18/19  
(पी.वी.के.आर.एम. राव)  
महाप्रबंधक (कार्मिक/नीति)

### ई-मेल के माध्यम से वितरण:

1. D(M)/ D(T)/ D (P&IR)/ D (F), CIL
2. CMD, BCCL/ CCL/ CMPDIL/ ECL/ MCL/ NCL/ SECL/ WCL
3. CVO, CIL
4. D(P)/D(F), BCCL/ CCL/ ECL/ MCL/ NCL/ SECL/ WCL
5. D(T/ES), CMPDIL
6. CVO, BCCL/ CCL/ CMPDIL/ ECL/ MCL/ NCL/ SECL/ WCL
7. GM/TS to Chairman, CIL
8. GM/ HoD (P/EE), CIL/ BCCL/ CCL/ CMPDIL/ ECL/ MCL/ NCL/ SECL/ WCL
9. GM/ HoD (Finance), CIL/ BCCL/ CCL/ CMPDIL/ ECL/ MCL/ NCL/ SECL/ WCL
10. Company Secretary, CIL – this is issued in reference to letter No. 23771 dated 18.10.2019.
11. GM, NEC
12. GM, NDLO
13. GM/ HoD, IICM
14. DGM/TS to D(P&IR), CIL
15. HoD (System), CIL – with a request to please upload the same in CIL website for information and compliance by all concerned.



## Methodology for payment of Performance Related Pay (PRP) for the FY 2017-18 & onwards

The admissibility, quantum and procedure for determination of PRP under 2017 Pay Revision is as under:

1. The payment of PRP to the Executives of CIL & its Subsidiaries will be based on the corpus created by pooling
  - a) the profits of CIL's Subsidiary Companies duly setting off the losses of the loss-making Subsidiaries and
  - b) standalone profits of CIL excluding the dividends received from its Subsidiary Companies,with the condition that the corpus for payment of PRP should be treated as a yearly corpus with no provision of carrying it forward to the subsequent years.
2. The overall profits for distribution of PRP shall be limited to 5% of the year's profit (corpus) accruing only from core business activities (without consideration of interest on idle cash/bank balances).
3. The ratio of break-up of profit accruing from core business activities for payment of PRP between relevant year's profit (corpus) to Incremental profit (corpus) shall be 65:35 to arrive at the Allocable profits and the Kitty factor.
4. PRP differentiator components – PRP payout is to be distributed based on the addition of following parts/ components:

### I. Part-1: CIL's performance component

- a. Weightage = 50% of PRP payout
- b. Based on CIL's MoU rating, the percentage eligibility of PRP is stipulated as under:

Table 1:

MoU Rating	%age eligibility of PRP
Excellent	100%
Very Good	75%
Good	50%
Fair	25%
Poor	Nil

**Note:** For all Executives of CIL & its Subsidiaries, the CIL's performance component will be based on the CIL's MoU rating.



## II. Part-2: Team's performance component

- a. Weightage = 30% of PRP payout
- b. Based on Team rating, the percentage eligibility of PRP is stipulated as under:

Table 2:

Team Rating	%age eligibility of PRP
Excellent	100%
Very Good	80%
Good	60%
Fair	40%
Poor	Nil

### c. The Team rating of CIL & its Subsidiaries:

A 'Team' refers to the Subsidiary Companies having group of Mines, from where actual production of Coal takes place. The said Team ratings are derived across CIL & its Subsidiaries as under:

#### i. For Subsidiary Companies

The team rating of all Executives working under a Subsidiary Company will be the MoU rating of the concerned Subsidiary. The MoU ratings of all the Subsidiaries are decided by CIL on the basis of cascading MoU parameters which includes performance parameters of both Achievement (in which performance has to be maximized) and Control (in which control has to be maximized) areas among other parameters.

#### ii. For CIL (HQ) & other Establishments directly attached to CIL(HQ)

The Team rating of all Executives working under CIL(HQ) & other Establishments attached to the CIL(HQ) will be the weighted average of Team ratings of all the Subsidiaries of CIL. The weighted average shall be based on the Executive manpower strength of the respective Subsidiaries.

**Note:** Establishments like NEC, RSOs, IICM, NDLO, Joint Ventures, Ministry, etc., are to be taken as part of CIL(HQ) for the computation of Team rating.

## III. Part-3: Individual's performance component

- a. Weightage = 20% of PRP payout



**b. Individual Performance rating of Executives of CIL & its Subsidiaries:**

For below Board level Executives, the individual performance rating would be based on their individual Performance Management System (PMS) scores as under:

*Table 3:*

<b>PMS Rating</b>	<b>Percentage of Executives in the PMS rating</b>	<b>Individual Performance rating</b>	<b>%age eligibility of PRP</b>
Outstanding	First 15% of total population	Excellent 1	100%
	Next 20% of total population	Excellent 2	90%
	Remaining "Outstanding"	Excellent 3	80%
Very Good	All 100% of "Very Good"	Very Good	80%
Good	All 100% of "Good"	Good	60%
Fair	All 100% of "Fair"	Fair	40%
Poor	All 100% of "Poor"	Poor	Nil

**i. Procedure for distribution of first 15% & next 20% of total population with "Outstanding" rating in Subsidiaries**

Alike the approved PRP methodology under 2007 Pay Revision, the Subsidiary wise distribution of Executives in "Outstanding" group as provided in the Table 3, above, will be done in two segments in each Subsidiary: Segment 1: HQ & Segment 2: Field.

- a. **HQ segment** would include all Executives who have secured "Outstanding" rating and posted in Headquarters & other Establishments directly attached to the Headquarters as defined by the concerned Company as its part.
- b. **Field segment** would include all the rest of the Executives who have secured "Outstanding" rating and posted in Areas & Units who are not covered under HQ segment.

In Field segment, a list of all Executives secured "Outstanding" rating in each grade of a discipline in field segment will be prepared in descending order of the final marks of PMS in the year under consideration and the first 15% & the next 20% cut-off of Executives as provided in the above Table 3 will be determined.

While deciding the first 15% & the next 20% cut-off, if tie arises then the tie will be broken by applying the following criteria as per the order:

- (1) Score given by the Reviewing Authority, best score being the topper.
- (2) Score given by the Reporting Authority, best score being the topper.
- (3) Inter-se seniority of the Executive, senior being the topper.



The Executives posted in HQ segment are very few in numbers in each discipline. Therefore, the descending order list as explained above will be prepared for all Executives in each grade, irrespective of their discipline, under a Functional Director/ CVO, as applicable, and the first 15% & the next 20% cut-off will be determined as per the above Table 3.

**ii. Procedure for distribution of first 15% & the next 20% of total population with “Outstanding” rating in CIL HQ**

Similar to Subsidiary Headquarters, the Executives posted in CIL(HQ) are very few in numbers in each discipline. Therefore, the descending order list will be prepared for all Executives in each grade, irrespective of their discipline, under a Functional Director/ CVO, as applicable, and the first 15% & the next 20% cut-off will be determined as per the above Table 3.

**Note:** Establishments like NEC, RSOs, IICM, NDLO, Joint Ventures, Ministry, etc., are to be taken as part of CIL(HQ) for the computation of above mentioned distribution of Individual Performance rating.

- iii. Board level Executives for each discipline in a Subsidiary/ CIL including CVOs, if eligible as per the terms and conditions of appointment, are limited in numbers (either one or two). Therefore, it is practically not possible to derive any form of distribution in the case of Board level Executives. As such, the final rating of PMS (APAR) will be taken as final in the case of Board level Executives of CIL and its Subsidiaries.

**5. Percentage ceiling of PRP (% of Basic Pay)**

The grade wise percentage ceiling for determination of PRP within the allocable profits will be as under:

*Table 4:*

<b>Grade</b>	<b>Ceiling (%age of Basic Pay)</b>
E1 to E3	40%
E4 & E5	50%
E6	60%
E7	70%
E8	80%
Director (A&B)	125%
CMD (A&B)	150%



## 6. Kitty factor

After considering the relevant year's profit, incremental profit and the full PRP payout requirement (computed for all Executives based on Grade-wise ceilings, CIL's MoU rating, Team rating & Individual Performance rating), there will be two cut-off factors worked out based on the PRP distribution of 65:35. The first cut-off shall be in respect of PRP amount required out of year's profit and the second cut-off factor shall be in respect of PRP amount required out of incremental profit, which will be computable based on the break-up of allocable profit (i.e., year's 5% of profit bifurcated into the ratio of 65:35 towards year's profit and incremental profit).

The sum of first cut-off factor applied on 65% of Grade PRP ceiling and second cut-off factor applied on 35% of Grade PRP ceiling will result in Kitty factor. The Kitty factor shall not exceed 100%.

7. Based on the PRP components specified above, the PRP pay-out to the Executives will be computed upon addition of the following three elements:

**I. Factor – X (% of Basic Pay)**

Weightage of 50% multiplied with Part-1 (CIL's MoU rating) multiplied with Kitty factor.

**II. Factor – Y (% of Basic Pay)**

Weightage of 30% multiplied with Part-2 (Team's performance) multiplied with Kitty factor.

**III. Factor – Z (% of Basic Pay)**

Weightage of 20% multiplied with Part-3 (Individual's performance) multiplied with Kitty factor.

**IV. Net PRP = Factor X + Factor Y + Factor Z = Net %age of Annual Basic Pay**  
(i.e., actual drawn Basic Pay).

## 8. Other general guidelines for payment of PRP

The general operational guidelines for payment of PRP are as under:

- i. 31<sup>st</sup> March of the Financial year would be the cut-off date for determining the distribution of "Outstanding" rating as explained in clause (4) (III) (c) i.e., Executives on the rolls as on 31<sup>st</sup> March who have secured "Outstanding" rating will be considered for determining the segments in their grade as on the date.
- ii. Executives separated by way of superannuation/ death/ resignation, etc. during the year will also be considered to determine the distribution of "Outstanding" rating along with the Executives who are on the rolls as on 31<sup>st</sup> March.
- iii. While determining the number of Executives in "Excellent" groups for 100%/ 90%/ 80% PRP benefit under Individual Performance rating, the fraction will be rounded to



the nearest integer value i.e., if the fraction comes below 0.50, then it will be rounded down to the next lower integer value & if it comes to 0.50 & above, then it will be rounded up to the next higher integer value.

- iv. In case of promotion to higher grade in a financial year, the payment of PRP is to be made on pro-rata basis for the period rendered in the relevant grades. Similarly, in case of Non-Executives promoted to the Executive cadre in a financial year, the payment of PRP is to be made on pro-rata basis for the year.
- v. As regards Executives transferred from one Subsidiary Company to another, billing of pro-rata PRP will be done from the Company, where the salary was paid. However, the disbursement of PRP will be done by the current Company on receiving the bill from the previous Company/ Companies.
- vi. In the event of death of Executives of upto E7 grade (PRIDE System) during the financial year, "PMS average of the grade of the concerned Company" may be taken as PMS rating for the year for computation of pro-rata PRP. Whereas, in case of death of Executives of E8 & above grade (PAR System) during the financial year, they will be entitled for pro-rata PRP as per DPE OM No. 2(68)/II-DPE dated 31.12.2012 (**Annexure I**) and amendments issued from time to time.
- vii. In the case of Non Executives promoted to the Executive cadre & lateral recruits where they had only 4 months or less service in the promoted/ appointed post in the year of promotion/ appointment, the "PMS average of the grade of the concerned Company" may be taken as PMS rating for the year for computation of pro-rata PRP.
- viii. In case of Executive who retire from the Company and spend less than 3 months in the financial year, he/ she will be entitled for PRP as per DPE OM No. 2(68)/II-DPE dated 31.12.2012 (**Annexure I**) and amendments issued from time to time.
- ix. In case of Executives whose rating is not available due to non-submission of goal setting and/ or self-appraisal under PRIDE/ PAR, the rating for the purpose of PRP is to be considered as "Poor".
- x. Management Trainees are also eligible for payment of PRP. Their performance in the probation closure examination will be taken as the performance rating for computation of PRP in their first financial year. In the event of delayed closure of probation, the PMS score, if available irrespective of the period, will be taken as the performance rating for the subsequent years, else, the score of the probation closure examination will be considered as the rating for the delayed period of closure as well, for computation of PRP.
- xi. PRP will not be admissible for the following Executives:
  - a) Those who have secured "Poor" rating in their PMS for the relevant year.
  - b) Executives who have voluntarily resigned from the Company and have spent less than 6 months in the financial year.
  - c) Executives who have been awarded punishment, under CDA Rules of the Company, during the Financial year.
  - d) Executives remained under suspension during the entire financial year.



- e) Executives who are on deputation to other Organization will not be entitled to receive PRP from CIL.
- xii. To be eligible for PRP, concerned Executive should have worked for a minimum period of 3 months in a financial year. The PRP benefit will be limited to only pro-rata basis for Executives who are on authorized leave/ absence for more than 3 months.
- xiii. For Executives whose disciplinary proceedings are not completed at the time of their superannuation, the PRP of the retiring financial year will be retained by the Company till the conclusion of the proceedings and the same will be settled based on the outcome of the proceedings.
- xiv. Executives remained under suspension during the financial year will be eligible for only pro-rata PRP based on the regular service period rendered by the Executives. However, the entire PRP benefit is applicable for Executives who are exonerated through disciplinary proceedings and are eligible for full benefits.
- xv. In case of any doubt in interpretation of any of the provisions of the PRP, the clarification/ interpretation of the D(P&IR), CIL based on the DPE guidelines will be final and binding.
- xvi. Cases not adhering to the general guidelines due to certain special/ specific circumstances shall be brought to the CIL Board through Nomination & Remuneration Committee on consolidated basis once in a year for consideration and decision.

Illustration cases on the above methodology is enclosed as **Annexure II**.

F. No. 2(68)/11-DPE (WC)  
Government of India  
Ministry of Heavy Industries and Public Enterprises  
Department of Public Enterprises  
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Block No.14, CGO Complex,  
Lodi Road, New Delhi-110003  
Dated the 31<sup>st</sup> December, 2012

OFFICE MEMORANDUM

Subject: Payment of Performance-related pay (PRP) to executives of Central Public Sector Enterprises (CPSEs)

The undersigned is directed to refer to Ministry of Housing & Urban Poverty Alleviation O.M. No 1-14020/1/2011-HR dated 7<sup>th</sup> 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.

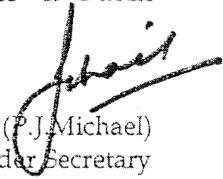
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4. It is clarified that in case APAR rating of a Board level executive of a CPSE is not available for the relevant period for the reasons brought in para 3 above, APAR rating of the concerned Board level executive may be considered as one grade lower 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 executive(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.

  
(P.J. Michael)  
Under Secretary  
Tel: 2436-0823

Ministry of Housing & Urban Poverty Alleviation,  
(Shri Rahul Mahna, Under Secretary),  
Nirman Bhavan,  
New Delhi.

Copy to:-

- (i) Ministry of Coal (Shri Shailesh Kumar Singh, Joint Secretary), Shastri Bhavan, New Delhi w.r.t. their O.M. No.21/25/2008-ASO dated 9<sup>th</sup> January, 2012 and subsequent reminders.
- (ii) NIC for uploading on DPE website (Guidelines/Wage Policy/others).

**Illustrations on the proposed methodology for payment of PRP from the FY 2017-18 & onwards**

**Case 1:**

- PRP Kitty Distribution: within 5% of profit accruing from core business activities (in short, Profit).
- Ratio of relevant year's profit: incremental profit = 65:35
- Grade – E6; PRP ceiling – 60%

**Calculating Kitty factor/ Allocable profit**

Sl. No	Parameters	Amount (₹)/ %age
1	FY 2016-17	Profit = 5000 Crores
2	FY 2017-18 (for which PRP is to be distributed)	Profit = 6000 Crores
3	Incremental Profit $\{(2) - (1)\}$	1000 Crores
4	5% of the year's profit $\{(2) * 0.05\}$	300 Crores
5	Allocable Profit out of current year's 5% of profit based on distribution in the ratio of 65:35 towards the year's profit and incremental profit.	
5a.	PRP Payout towards the year's profit component $\{(4) * 0.65\}$	195 Crores
5b.	PRP Payout towards incremental profit component $\{(4) * 0.35\}$	105 Crores
6	Full PRP Payout requirement (computed for all Executives based on Grade-wise ceilings, CPSE's MoU rating, Team rating & Individual performance rating)	500 Crores
7	PRP Payout break-up based on 65:35 distribution out of year's profit and incremental profit:	
7a.	PRP amount required out of year's profit $\{(6) * 0.65\}$	325 Crores
7a1.	Cut-off factor (1) (in %age) for year's PRP payout with reference to Sl. No. 5a & 7a. $\{(5a) / (7a)\}$	60 %
7b.	PRP amount required out of incremental profit (i.e., 35% of Sl.No. 6) $\{(6) * 0.35\}$	175 Crores
7b1.	Cut-off factor (2) (in %age) for incremental PRP payout with reference to Sl. No. 5b & 7b. $\{(5b) / (7b)\}$	60 %



8	Thus, total profit amount allocated for PRP distribution $\{[(7a) * (7a1)] + [(7b) * (7b1)]\}$	195 Crores + 105 Crores = 300 Crores (i.e., 5% of Core business/ operating profit)
9	Kitty factor for respective grade [65% x Grade PRP ceiling (%) x Cut-off factor (1)] Plus (+) [35% x Grade PRP ceiling (%) x Cut-off factor (2)] = Kitty factor $\{0.65 * 0.60 * (7a1)\} + \{0.35 * 0.60 * (7b1)\}$	23.4% + 12.6% = 36%

### PRP Payout to Individual Executives

Sl. No	Parameters	Amount (₹)/ %age
A	CPSE's MoU rating [Weightage = 50%]	75% (Very Good)
B	Team's rating [Weightage = 30%]	100% (Excellent)
C	Individual's performance rating [Weightage = 20%]	60% (Good)
D	Grade Ceiling (E6) (Max. of 60% of Basic Pay)	60% of Basic Pay
E	Cut-off factor (1)	60%
F	Cut-off factor (2)	60%
G	Kitty factor for Grade E6	36%
H	<b>Net PRP</b>	
H i.	Factor X [Company's performance component]	Wtg.(50%) x A x G i.e., 50% x 75% x 36% = 13.5%
H ii.	Factor Y [Team's performance component]	Wtg.(30%) x B x G i.e., 30% x 100% x 36% = 10.8%
H iii.	Factor Z [Individual's performance component]	Wtg.(20%) x C x G i.e., 20% x 60% x 36% = 4.32%
I	PRP Payout distribution	Factor X + Factor Y + Factor Z = 28.62% of Annual drawn Basic Pay