

of all the non-Hindi-knowing employees of the Central Government is to be completed by 1981. The Operating staff on the Railways work in shift duties and as such they do not have time to attend the classes during their working hours and therefore such staff are learning Hindi through their own efforts. This has, however, not been found adequately feasible. Hence, in order to teach Hindi particularly to the operational staff, a scheme, under departmental arrangements, is under consideration, envisaging that knowledge of Hindi may be imparted to non-Hindi knowing Railway employees alongwith other subjects connected with their job during the course of their training in Railway Zonal Training Schools. Department of the Official Languages is to be consulted in the matter, whereafter it will be submitted to the Central Hindi Committee for their consideration.

Parliament House Railway Booking Office

261. SHRI K. LAKKAPPA : Will the Minister of RAILWAYS be pleased to state:

(a) the number of seats which a Member of Parliament can reserve in Hind Class for his guests each day from the Parliament House Booking Office of the Railways;

(b) whether he has received any complaints about non-availability of reservations in Hind Class on various trains going to South in spite of the fact that seats were available on 24th June, 1978; and

(c) if so, whether he will lay on the Table a copy of chart in respect of the reservations booked in Hind Class in all trains going to South on 24th June, 1978, giving full particulars of name and address etc.?

THE MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRI SHEO NARAIN) : (a) No restriction as such on the number of seats/berths which a Member of Parliament can

reserve in second class for his guests each day from the Parliament House Booking Office, has been imposed. This is, however, subject to availability of accommodation.

(b) No such complaint was received in respect of South-bound trains of 24-6-1978.

(c) A statement detailing the bookings made in second class at the Parliament House Booking Office for South-bound trains of 24-6-1978, is laid on the Table of the House. [Placed in Library. See No. LT--2777/178]

Salaries and Perks of Managerial and Executive Personnel

262. SHRI HARI VISHNU KAMATH :

PROF. P. G. MAVALANKAR :

DR. P. V. PERIASAMY :

Will the Minister of LAW, JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Government have decided to reduce the salaries and perks of top managerial and executive personnel in Government companies as well as those in the public and private sectors;

(b) if so, the details thereof, Sector-wise and category-wise;

(c) if not, the reasons therefor;

(d) whether any changes in company law are under consideration; and

(e) if so, the broad outlines thereof?

THE MINISTER OF LAW, JUSTICE AND COMPANY AFFAIRS (SHRI SHANTI BHUSHAN) : (a) to (c). The revised administrative guidelines lowering the ceilings of remuneration of managerial personnel of public limited companies and private limited

companies, which are subsidiaries of public limited companies, have since been issued by the Central Government. A copy of the same is attached. The ceilings of remuneration in Government Companies are already much lower and there is no proposal to reduce the same. The provisions of the Companies Act do not empower Government to reduce the salaries and perks of executive personnel.

(d) and (e). The High Powered Committee under the chairmanship of Justice Shri Rajinder Sachar has made, *inter alia*, certain recommendations in regard to managerial and executive remuneration which require amendments to the Companies Act. The recommendations for amendment of the Companies Act, 1956 are under consideration and appropriate steps including legislative amendments as may be found necessary, will be taken in due course.

Statement

Revised guidelines/administrative ceilings on the salary and perquisites/benefits allowable to the Managing Directors, Whole-time Directors, Part-time paid Directors and Managers in Public Limited Companies, or Private Limited Companies which are subsidiaries of public limited companies

i. Introduction

1.1 The expression 'managerial personnel' in relation to companies registered under the Companies Act, 1956 ordinarily refers to the Managing/whole-time Directors or managers [as defined under section 2(24) of the Act] and excludes executives who are not members of the Board of Directors of a company irrespective of the salary paid to them.

1.2 Both the appointment and remuneration of the managerial personnel are subject to the regulatory provisions contained in the Companies Act. As such the approval of the Central Government is required both for the appointment/reappointment of

Managing/whole-time Directors/Managers and also for the remuneration payable to them during their tenure of appointment.

2. Statutory provisions regarding limits of managerial remuneration

2.1. While under section 269 read with section 388, their appointment as well as reappointment is subject to the approval of the Central Government, the provisions of sections 309 to 311 read with section 387 govern their remuneration. Section 309 provides, *inter alia*, that the managing/Whole-time Director may be paid up to 5 per cent of the company's net profits for one such Director and where there is more than one such Director, upto 10 per cent thereof for all them put together.

2.2. Under section 198, the remuneration payable to all Directors including a Part-time Director is not to exceed 11 per cent of the Company's net profits and this percentage is exclusive of the fees payable to the Directors for attending the meetings, of the Company's Board of Directors from time to time.

2.3. The remuneration to a Managing Director or Whole-time Director or Manager may, however, be paid to them either by way of monthly payment or as percentage of the net profits or by way of perquisites or by one or more of them. In any case, it will be subject to the limits mentioned above.

2.4. Minimum of protected remuneration

Section 198(4) of the Companies Act provides, *inter alia*, that where a company has no profits or its profits are inadequate in any financial year, it may, subject to the Central Government's approval, pay to its Directors including any Managing/Whole-time Director or Manager by way of minimum remuneration an amount not exceeding Rs. 50,000 per

annum to all of them put together if there are two or more of them holding office in the company. That limit of Rs. 50,000 could be exceeded with the approval of the Central Government if the latter is satisfied that, for the efficient conduct of the business of the company, the minimum remuneration of Rs. 50,000 per annum is or will be insufficient.

3. Administrative Guidelines

Administrative guidelines were issued in November 1969 governing the remuneration payable to the Managing/Whole-time Directors, Managers of Public Limited Companies and Private Companies which were subsidiaries of Public Limited Companies. In view of persisting doubts regarding the Central Government's powers in fixing ceilings on remuneration, the Companies (Amendment) Act, 1974 introduced certain new provisions which vested the Central Government with specific powers to fix the remuneration of Managing/Whole-time Directors and Managers. The new provisions of section 637AA clearly enunciated the principles that should be kept in view in approving any appointment or in fixing the remuneration of the managerial personnel. It was specifically laid down that the Central Government, while according its approval to managerial remuneration would, *inter alia* have regard to "public policy relating to the removal of disparities in income".

4. The case for reduction in ceilings

The Central Government have carefully reviewed the entire question of managerial remuneration in the context of socio-economic objectives of State Policy and the need for establishing a co-relation in managerial remuneration at comparable levels of responsibility in Government, public-sector undertakings and public limited companies. In this connection, the recommendations of the Study Group on Wages, Incomes and Prices (Bhoonthalingam Committee) whose report

was published in May 1978 as well as the recommendations of the High-powered Expert Committee under the Chairmanship of Justice Rajinder Sachar have been taken into account. These two Committees had the benefit of the views of various interests and bodies representing the employers, employees, trade unions etc.

5. Revised Guidelines

The following revised guidelines have, accordingly been framed for dealing with applications received by the Central Government under Sections 269, 310, 311, 309 and 198, 387 and 388 of the Companies Act, 1956:

5.1 Substantive remuneration

(1) The maximum remuneration payable to Managing/Whole-time or Part-time paid Directors, Managers from one or more companies put together, subject to the statutory limits has been fixed as under:

(a) The salary inclusive of dearness allowance and all other fixed allowances should not exceed Rs. 60,000 per annum;

(b) A commission on net profit upto 1 per cent of the net profits may be allowed in addition to the salary as an incentive for efficient and sound management, but this should be at least 20 per cent of salary subject to an overall ceiling that salary plus commission would not exceed Rs. 72,000 per annum (bonus will be treated as part of commission);

(c) Where a company proposes to pay remuneration in the form of commission on net profits alone, this shall be subject to a maximum limit of Rs. 72,000 per annum; and

(d) Henceforward, perquisites will be restricted to an amount equivalent to the annual salary subject to a maximum of Rs. 60,000 per annum to be reckoned on the basis of actual expenditure or liability incurred by

the company as provided under explanation to section 198 of the Companies Act, 1956. There would, however, be separate non-interchangeable ceilings for expenditure on pensionary benefits, medical treatment and housing. Within this overall limit, the perquisites that may be allowed by the company will be as under:

(i) Company's contribution towards Provident Fund:

Non-interchangeable ceiling of 10 per cent of salary.

(ii) Company's contribution towards Pension/Superannuation Fund:

Non-interchangeable ceiling of 15 per cent of salary.

(iii) Gratuity:

Payable in accordance with an approved fund and which does not exceed one-half month's salary for each completed year of service subject to a non-interchangeable ceiling of Rs. 30,000 or 20 months salary, whichever is less.

(iv) Medical benefits for self and family:

Non-interchangeable ceiling of 1 month's salary subject to a maximum of Rs. 5000 per annum.

(v) Leave and leave travel concession.

(vi) Housing including furniture, fixtures, appliances, gas and electricity—Non-interchangeable ceiling of 40 per cent of salary on the condition that 10 per cent of salary would be borne by the managerial personnel:

(vii) Free use of company's car with driver:

(viii) Personal accident insurance

(ix) Free telephone facility at residence.

(x) Fees of clubs subject to a maximum of 2 clubs. Admission and life membership fees to clubs will not be allowed.

5.2 *Minimum Remuneration*

In the event of absence or inadequacy of profits in any financial year, a cut of 10 per cent will be imposed on the substantive salary while the ceiling on perquisites will not be altered. (No commission/bonus will be payable in the case of absence or inadequacy of profits).

5.3 *Exceptions*

Expatriates and persons possessing high or rare skills would not be covered by the ceilings on managerial remuneration. These cases will be decided on merits.

5.4 *Applicability of Revised Guidelines*

The revised guidelines will not be applicable to the existing managerial personnel in whose cases approval have already been accorded, for the remaining duration of their current tenure. They will be made applicable to these persons on their reappointment on the expiry of their current tenure.

Demand for Double line in Sealdah-Bongaon Section of Eastern Railway

263. SHRI SAUGATA ROY: Will the Minister of RAILWAYS be pleased to state:

(a) whether he is aware that Sealdah-Bongaon Passenger's Association has launched a movement for demanding a double line in the Sealdah-Bongaon Section of Eastern Railway; and

(b) if so, what is Government's reaction to this demand?