

यह नीति नहीं है। जनता सरकार वे लोगों के साथ कुछ वायदे किये हैं . . . . .

(Interruptions)

SHRI G. LAKSHMANAN: Sir, the Railway Ministry is the only Ministry which can bring in national integration; I agree. Will the Minister announce here and now that the language of the Railway Administration shall be all the national languages of India, including Hindi? Instead of saying something and then contradicting, shall be announced here and now that the administrative language of the Railway Ministry shall be the languages in the Eighth Schedule? Shall he announce it?

PROF. MADHU DANDAVATE: Sir, we have made it clear that as far as . . .

SHRI G. LAKSHMANAN: I do not want any explanation.

MR. CHAIRMAN: Let him reply.

PROF. MADHU DANDAVATE: Sir, the Railway Ministry is a part and parcel of the Government. As the hon. Member has rightly pointed out, there can be one policy in the Railways, but it has to be in consonance with the overall national policy of the Government. We are part and parcel of the Government.

SHRI G. LAKSHMANAN: It is a commercial concern also. You must know it. You are getting revenue from Tamil Nadu, but I don't get a reply in Tamil.

PROF. MADHU DANDAVATE: With the consent of the House, bilingual mode of administration has been accepted. Beyond that, if the letters are to go out from the Railway Board in various languages, it will be very difficult and we have not got the necessary administrative facilities. For instance, if the Tamil Nadu Government has to send letters to various States in different languages such as Marathi, Gujarati, Assamese or Ben-

gali, it will be very difficult for it. It is a matter of convenience. If it is possible, we would be very happy to conduct the correspondence in all the regional languages.

(Interruptions)

SHRI G. LAKSHMANAN: My question is very simple. Will he accept that all the languages that are there in the Eighth Schedule shall be declared as the languages of the Railway Department?

PROF. MADHU DANDAVATE: It is very difficult. Even if our hon. Member is put in charge of the administration, it will be very difficult to carry on the administration in all the languages. All that I have to say is that for the convenience of a particular region, the forms and the announcements, etc. will all be done in the regional languages and not in English or Hindi, as the hon. Member has pointed out.

\*307. [The questioner (Shri Nageshwar Prasad Shahi) was absent. For answer, vide cols. 42-43 infra].

#### Ceiling on Managerial Remuneration and perquisites

\*308. SHRI SADASIV BAGAITKAR:†

SHRI RABI RAY:

SHRI KRISHNA CHANDRAPAN:

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

(a) whether Government have issued any guidelines recently fixing a ceiling on the remuneration and perquisites admissible to the Directors and top executives of the companies registered under the Companies Act; if so, what are the details thereof; and

†The question was actually asked on the floor of the House by Shri Sadasiv Bagaitkar.

(b) whether the Associated Chambers of Commerce and Industry of India (ASSOCHAM) or the affected executives or the managements have urged the Government not to implement its decision involving a reduction in the managerial remuneration and perquisites; if so, what decision Government have taken in this regard?

**THE MINISTER OF RAILWAYS (PROF. MADHU DANDAVATE):** (a) The revised administrative guidelines lowering the ceilings of remuneration of Managing/Whole-time Directors/Managers of the public limited companies and private companies which are subsidiaries of public limited companies, have since been issued by the Central Government on 9th November, 1978. A copy of the same is alid on the Table of the House (Statement).

(b) Yes, Sir. Representations have been received by Government from the ASSOCHAM and other parties. These are under examination.

### Statement

*Revised guidelines/administrative ceilings on the salary and perquisites 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*

#### 1. 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 upto 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 hereof 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 or 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. This 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 *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 (Bhoo-

thalingam 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

(i) 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 limit, 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 profits 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) Hence forward, 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) Companies 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 re-appointment on the expiry of their current tenure.

SHRI SADASIV BAGAITKAR: Sir, I do not understand the intention of the Government. I would like to ask the hon. Minister to enlighten us on this point. If the Government, in the context of its election manifesto and the promises made in it, is committed to bring the incomes within the range of 1:20, then I would like to know why the public sector and other sectors in which the disparities are very much there, are being exempted from its purview?

PROF. MADHU DANDAVATE: Sir, there is no question of increasing or promoting the disparities. In fact the organisation concerned has sent its memorandum and has requested the Government to consider its own policy. It has itself stated that the Janata Party in its election manifesto had suggested the ratio of 1:20 between the minimum and the maximum and in the course of 10 years it has to be brought down to 1:10. Their contention has been that on the basis of the new guidelines, after payment of taxes

the range of inequality becomes 1:8. As it is 1:8, they have demanded that on the basis of the election manifesto this issue should be reconsidered and more perquisites and more salary should be made available to the managerial personnel.

**SHRI SADASIV BAGAITKAR:** I am not concerned with what the representation says. My question is as to why the other sectors are omitted from the purview of the Government decision. This is my question.

**PROF. MADHU DANDAVATE:** Sir, as far as the decision is concerned, it is related to the Managing Directors, full-time Directors and Managers of the public limited companies and also those private companies which are the subsidiaries of these public limited companies. To all of them, these are applicable.

**DR. RAFIQ ZAKARIA:** Sir, I would like to know from the Minister whether in practice it would be possible for the Government to implement these guidelines because the danger is that what has so far been given in an official way may be compensated in an unofficial way, and if that happens, the generation of black money instead of being curbed will be increased. Sir, the second question that I would like to put to the Minister is the danger of brain-drain as a result of this kind of structure that is now being sought to be imposed under which, as is happening, for instance, in Bombay, you have the Rent Control Act and while the rent is being paid in one way, the *pagri* is being paid in another way. Now the danger is of some kind of an unofficial arrangement being made with the result that even those companies which are not encouraging the giving of black money may be forced to do so. And I want to know whether those among our talented and able young person who do not like to be a party to this kind of a set-up, would be forced to go away to foreign countries.

**PROF. MADHU DANDAVATE:** Sir, as far as the first part of the hon. Member's question is concerned, I must make it clear that even when the new guidelines were issued, the practical aspect of the problem was already taken note of. He has specifically pointed out that if these guidelines are to be implemented, in that case, will it not lead to a further brain-drain and will not the experts and important officers seek jobs in other countries. Sir, that possibility is always there. And if we want to see that the brain-drain is completely stopped on the basis of providing more financial benefits and incentives, then in that case, it will never be possible for a developing country like India to pay salaries and perquisites which will be on a par with those available in developed countries like the United States of America or any other developed country for that matter. Since that being the financial constraint under which we have been suffering, we had to combine our ideal aspect of moving towards an egalitarian society and at the same time taking into account the practical aspect of implementing this. And, therefore, I may tell the hon. Member that we have fixed the ceiling on salary, we have fixed the ceiling on commission and we have also fixed the ceiling on perquisites. And if his logic is to be accepted that if some ceiling is there, at the back door, there will be a violation of the ceiling, then in that case, no land reform will be possible, no ceiling on property will be possible. And as a result of all that, this particular aspect has been taken into account.

**DR. RAFIQ ZAKARIA:** Sir, he misunderstood my question. I said exactly the opposite of it. I said that those among our talented and able young people who have an attachment to moral values and who, therefore, would not like that a part of the money is paid in white and a part in black, may feel that such an immoral atmosphere is being created that they would not like to serve under such a

set-up. You misunderstood my question.

**PROF. MADHU DANDAVATE:** Sir, I understood him better now. Sir, keeping that in mind, I give the figures which will speak for themselves and it will be clear whether there is any need for black money operations at all after having these ceilings. Sir, according to the original guidelines, whenever there was any company with profit, the salary ceiling was Rs. 90,000 per annum, and Rs. 45,000 in addition to that as commission. And in the case of those companies where there were no adequate profits, the salary ceiling was Rs. 60,000 and the ceiling on the perquisites was Rs. 12,000. Now with the changed guidelines, we have seen to it that the ceiling on salary will be Rs. 60,000 the ceiling on commission has been retained at Rs. 12,000 and the ceiling on perquisites will be Rs. 60,000. As far as those companies which have not got adequate profit are concerned, the salary ceiling has been fixed at less than 10 per cent, that means Rs. 54,000, and there will be no commission, and, as far as perquisites are concerned, it will be Rs. 60,000. I think that this is quite adequate to see that an honest man with moral values should be able to take up the jobs that are offered.

**DR. RAFIQ ZAKARIA:** What about black money?

**PROF. MADHU DANDAVATE:** Sir, another question to which he made a reference was how the Government can prevent black-money operations. As far as the problem of black-money is concerned, this is an over-all problem and whatever be the ceiling that you fix, there are bound to be some practices in which black-money operations will be involved. You have to take independent and deterrent steps to see that black-money operations are completely stopped.

**MR. CHAIRMAN:** The Question Hour is over. Now, Papers to be laid on the Table of the House.

## WRITTEN ANSWERS TO QUESTIONS

**बालोतरा रेलवे स्टेशन से रंगाई और छपाई एककों द्वारा बुक किये गये माल का लदान**

**\* 301. श्री सुन्दर सिंह भंडारी :**  
क्या रेल मंत्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि उत्तर रेलवे के बालोतरा स्टेशन से सितम्बर और अक्तूबर, 1978 के महीनों के दौरान रंगाई और छपाई के स्थानीय लघु उद्योग के एककों द्वारा बुक किया गया लगभग 50 लाख रुपये का माल अभी तक अपने गन्तव्य स्थानों पर नहीं पहुँच पाया है ; और

(ख) यदि हां, तो सरकार बालोतरा से भेजे गये माल की शीघ्र लदाई और गन्तव्य स्थानों पर उसके ठीक समय पर पहुँच जाने को निश्चित करने के लिए क्या कदम उठाने का विचार रखती है ?

† [Loading of goods booked by the dyeing and printing units from Balotra railway station

**\* 301. SHRI SUNDER SINGH BHANDARI:** Will the Minister of RAILWAYS be pleased to state:

(a) whether it is a fact that goods worth about Rs. 50 lakhs booked from Balotra Railway Station on the Northern Railway during the months of September and October, 1978 by the local small-scale dyeing and printing units have not yet reached their destinations; and

(b) if so, what steps Government propose to take to ensure prompt loading of consignments from Balotra and timely delivery at their destinations?]

[ ] English translation.