

**SCHEME FOR PERFORMANCE RELATED PAY (PRP)**

**As per DPE Instruction Vide**

- (i) DPE O&M dated 3<sup>rd</sup> August, 2017 (Annexure-IV)
- (ii) 3<sup>rd</sup> Pay Revision Committee recommendation of CPSUs(Chapter 3)

**1.0 Title**

The scheme shall be called "Scheme for Performance Related Pay".

**2.0 Objective**

- 2.1 Promoting motivation, morale and team spirit among the employees to achieve the goals of the organisation.
- 2.2 Inculcating performance oriented culture across the organization.
- 2.3 Encouraging high level performance by employees and team linking their performance to pay.
- 2.4 Motivating employees for maximizing MoU score of the organization and achieving the targets set in MoU.
- 2.5 Retaining talents within the organisation

**3.0 Factors for Performance Related Pay**

Following are the factors for Performance Related Pay:

- 3.1 Rating of Memorandum of Understanding (MOU) entered between NHPC and Ministry of Power for the corresponding year.
- 3.2 Profitability of the Company only from the core business activities (without consideration of interest on idle cash / bank balances) during the corresponding year.
- 3.3 Incremental Profit of the Corporation i.e. increases in profit in comparison to previous year's profit.
- 3.4 Performance of the Team (Tp) i.e. Power Stations, Construction Projects, Regional Offices/Liaison offices, Corporate Office etc. Team Rating for Executives and Non-unionized Supervisors posted in Projects, Consultancy assignments outside India , Joint Venture Projects and Subsidiaries (except NHDC) shall be regulated as per the team rating of Corporate Office (CO) for PRP distribution.
- 3.5 Performance of the Individuals (Ip).

#### 4.0 Scope and Coverage

**The scheme shall be applicable to:-**

CMD, Functional Directors, all Executives and Non- unionized Supervisors including Trainee Engineers/Officers who are on regular roll of the corporation including those posted in Projects, Consultancy assignments outside India , Joint Venture Projects and Subsidiaries companies(Except NHDC) and separated employees (Superannuated/Expired/Resigned/VRS/Premature Retirement) who were posted in NHPC/ JV/Subsidiaries of NHPC.

**The following shall not be eligible to receive the PRP:-**

Industrial/vocational Trainees, Teaching Staff irrespective of their pay-scale, Apprentice, Executives and Non-unionized Supervisors on Fixed Tenure Basis (FTB) or on Contractual appointment or regular employees on deputation from NHPC to other organization or on deputation to NHPC from other organization.

Executives and Non- unionized Supervisors dismissed/removed from service on disciplinary ground are also not eligible to receive PRP.

#### 5.0 Features of the Scheme

##### 5.1 Allocable profits:

- a. The overall profit for distribution of PRP shall be limited to 5% of the year's profit accruing only from core business activities (without consideration of interest on idle cash/ bank balances), which will be exclusively for executives and for non-unionized supervisors of the CPSE.
- b. The ratio of break-up of profit accruing from core business activities for payment of PRP between relevant year's profit to incremental profit shall be 65:35 to arrive at the Allocable profit and the kitty factor.
- c. Allocable profit shall be the net amount set-out from the limit of 5% of profit accruing from core business activities (hereinafter, for brevity, referred to as profit) for distribution of PRP after accounting for relevant year's profit and the incremental profit.

- 5.2 **Kitty factor:** After considering the relevant year's profit, incremental profit and the full PRP payout requirement (computed for all executives & non-unionized supervisors based on Grade- wise ceilings, CPSE'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 i.r.o. PRP amount required out of relevant year's profit, and the second cut-off shall be i.r.o PRP amount required out of incremental profit, which shall 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 the second cut-off factor applied on 35% of Grade PRP ceiling will result in kitty factor.

The kitty factor & Cut-off factor shall not exceed 100%.

- 5.3 The percentage ceiling of PRP for different levels of Executives & non-unionized supervisors termed as Grade Factor and expressed as percentage of Basic pay are indicated below:

Grade	PRP Percentage of Basic Pay (Grade factor)
CMD (E11)	150%
Director (E10)	125%
E09	90%
E08	80%
E07	70%
E06	60%
E05 & E04	50%
E03 to E00	40%
S1/S2/S3/S4	30%

- 5.4 PRP shall be distributed based on the addition of the following parts / components:

**PART 1: COMPANY PERFORMANCE COMPONENTS:**

(A) Weightage = 50% of PRP payout

(B) Based on CPSE's MOU Rating (Mo):

Company MOU Rating	Applicable PRP % ( Mo)
Excellent	100%
Very Good	75%
Good	50%
Fair	25%
Poor	Nil

**PART 2: TEAM'S PERFORMANCE COMPONENT:**

(A) Weightage = 30% of PRP payout

(B) Based on rating of Team Performance (Tp) ( i.e. Power Stations/ Projects/ Offices /Units etc.)

Team Performance /Team Rating(Tp)	Applicable PRP % (Tp)
Excellent	100%
Very Good	80%
Good /Average	60%
Fair	40%
Poor	Nil

**PART 3: INDIVIDUAL PERFORMANCE COMPONENT:**

(A) Weightage = 20% of PRP payout



(B) Based on Individual performance rating (Ip) ( i.e. as per the company's performance management system)

Individual PMS Rating (Ip)		Applicable PRP % (Ip)
Executives	Non-Unionized Supervisors	
Outstanding	Outstanding	100%
Very Good	Above Average	80%
Good	High Average	60%
Average	Average	40%
Poor	Low Average & Below Average	Nil

5.5 Methodology of calculation and quantum of PRP payment:

Based on the PRP components specified above, the PRP pay-out shall be computed upon addition of the following three elements:

$$\begin{aligned} \text{Factor-X (\% of BP)} &= \text{Weightage of MOU rating} \times \text{MoU rating} \times \text{Kitty factor} \\ &= 0.50 \times \text{Mo} \times \text{Kitty factor} \end{aligned}$$

$$\begin{aligned} \text{Factor-Y (\% of BP)} &= \text{Weightage of Team Performance} \times \text{Team Rating} \times \text{Kitty factor} \\ &= 0.30 \times \text{Tp} \times \text{Kitty factor} \end{aligned}$$

$$\begin{aligned} \text{Factor-Z (\% of BP)} &= \text{Wtage of Individual Performance} \times \text{Individual Performance} \times \text{Kitty factor} \\ &= 0.20 \times \text{Ip} \times \text{Kitty factor} \end{aligned}$$

$$\text{Net PRP payout} = \text{Annual Basic} \times (\text{Factor-X} + \text{Factor-Y} + \text{Factor-Z})$$



## **6.0 Adjustment of PRP in respect of Executive & Non-unionized Supervisor on Leave during the Year**

The basic objective of PRP is to reward employees for their performance on work during the period under consideration. Prolonged absence from work on any account not only impact Individual performance but also impact organization adversely. Taking cognizance of the above, PRP shall be payable only proportionate to the number of days of presence on work including Casual leave, Optional Holiday, Earned leave (Max.30 days) , HPL/Commuted Leave(Max.20 days), Winter Leave, Transit Leave, Special Casual leave, Joining Time Leave, Special Disability Leave, Special Additional leave, Lieu Leave.

Accordingly, deduction of PRP on account of any leave other than mentioned above except in cases of terminally ill employees certified by Medical Services Division who are availing/availed EL/HPL/Commuted Leaves, shall be made on pro-rata basis from Annual Basic Pay applicable during the financial year.

## **7.0 Calculation of required amount and available amount**

### **7.1 Calculation of required amount:**

- PRP amount of each individual is calculated taking maximum entitled percentage of PRP of each level defined on the actual performance of Company, Team (PS/projects/Offices/Units) and Individual considering the adjustment against defined leaves.
- Total PRP amount required is calculated for all the Executives and Non-Unionized Supervisors without applying Cut-off factors and Kitty factor related to year's profit or Incremental profit.

### **7.2 Calculation of available amount:**

- PRP payout from relevant year's profit = 65% of 5 % of relevant year's PBT accruing from core business activities is taken as "Share of Profit Before Tax from Year's PBT available for PRP"
- PRP payout from incremental profit = 35% of 5 % of relevant year's PBT accruing from core business activities, restricted to incremental profit from previous year's PBT.
- Total amount of PRP needs to be restricted to 5 % of PBT of the current year.

## 8.0 Procedure

8.1 Corporate Finance Division shall process the payment based on the scheme.

8.2 MoU rating of the organization of corresponding year shall be provided by Planning Division, Corporate Office to Finance Division.

8.3 Corporate T& HRD division shall provide training related data as required for the PRP calculation to Finance Division.

8.4 Corporate HR

- Industrial Engineering group shall provide the Team Performance (Tp) rating of all power station/ projects/offices/units for corresponding year.
- HR-Establishment section shall provide level- wise PMS rating of all eligible employee i.e. Executive (board level & below board level) and Non-unionised supervisors incl. Trainee Engineers/Officers of corresponding year/ leave details for discounting / list of eligible employees/any other data as relevant for the calculation to Finance Division.
- Industrial Engineering Group shall initiate & obtain approval for payment.

## 9.0 General Conditions

9.1 In case of Training in India / abroad for more than six weeks continuously/lien, PRP to be paid on pro-rata basis i.e only for the period of actual working in the company.

9.2 Employees sponsored for full time courses beyond six weeks, PRP to be paid on pro-rata basis i.e only for the period of actual working in the company.

9.3 The forced rating of 10% as below par/poor performer shall not be made mandatory. Consequently, there shall be discontinuation of “**Bell Curve Approach**”. However, capping of giving Excellent rating to **not more than 15%** of the total executives and non-Unionized supervisors in the grade ( at below Board level) is mandatory and for **the remaining 85%** of executives and non-Unionized supervisors in the grade may get PRP as per their actual rating in PMS other than employees secured outstanding rating in PMS but could not covered in the above 15% capping. They shall be paid PRP one step below of the actual PMS rating.

9.4 The payment of PRP to the employees who are under suspension (including Indian Penal Code/Criminal Procedure Code & Evidence Act) pending enquiry shall be withheld till conclusion of enquiry. The period of suspension shall not be counted for the calculation of PRP unless exonerated after conclusion of disciplinary proceedings/enquiry. Further, those dismissed/removed from services on disciplinary grounds shall not be entitled for PRP for the particular FY whenever the dismissal order is dated.

- 9.5 The amount of PRP shall neither be termed as pay nor allowances nor wages. Accordingly, this amount shall not count for any service benefits i.e. computation of House Rent Allowance, Compensatory Allowance, cash compensation, encashment of leave, pay fixation, Provident Fund, Pension or Gratuity etc.
- 9.6 The figures of achievement and other records as maintained by the management shall be final and binding based on the experience of running the scheme.
- 9.7 Non-availability of PAR grading due to less than 03 months on account of retirement/deputation/lien/death /transfer, the average grading of immediate last 03 years to be considered for payment of PRP only. For Board level Executives the same shall be governed by DPE OM dated 31.12.2012.
- 9.8 Total Performance Related Payments in a Financial Year shall be limited to ceiling specified by DPE from time to time. Presently, limit/ceiling of PRP prescribed by DPE is defined vide their OM no. W-02/0028/2017-DPE(WC)-GL-XIII/17 dated 3<sup>rd</sup> August, 2017. Other guidelines as issued by DPE from time to time regarding PRP shall also be adhered with the approval of CMD.
- 9.9 PAR rating of the resigned cases may be considered based on the condition that individual has served for at least 03 months or more in the relevant FY. In case of non-completion of PAR, the payment of PRP to be released considering individual PAR rating as one step below MOU rating of the year in which the PRP is due.

**Note: Methodology for evaluation of Team Performance is placed as "Annexure-A1"**

**Illustration: Two example for determination of PRP for Grade E1 is illustrated as under**





**METHODOLOGY FOR EVALUATION OF TEAM PERFORMANCE (Tp):****TEAMS COMPOSITION**

1. Power Stations
2. Construction and S&I Projects
3. Regional Offices
4. Corporate Office and
5. Liaison Offices

**(1) POWER STATIONS:**

- i) The Scheme envisages the rating of Team Performance linked with **Internal MOU**, which includes various operating parameters such as **Generation, PAF, forced outage, capital budget expenditure, two major physical activities, annual/capital maintenance, availability of critical under water parts , settlement of audit paras more than one year old etc** partly derived from company's MOU and partly identified by management.
- ii) Internal MOU targets for each Power Station shall be proposed by O&M division within thirty (30) days after the signing of NHPC MOU for corresponding financial year as per table given below:

<b>INTERNAL MOU FOR _____ POWER STATION</b>				
<b>Sl. No</b>	<b>Description</b>	<b>Unit</b>	<b>Weightage</b>	<b>Target</b>
1	Generation	MU	20	
2	Plant Availability Factor	Percent (%)	15	
3	Capital Budget Expenditure	Percent (%)	10	
4	Two Major Physical activities planned by Power station i.e new works /major rectification including civil & HM works.	Nos.	9	
5	Special Maintenance i.e Capital / Annual maintenance of machines and other structures with period.	Nos.	12	

6	Completion of repair of underwater parts (Runner, Guide Vanes, Cheek Plates etc.) already available/ which will be available during maintenance as planned within current financial year.	Nos.	9	
7	Completion of procurement of all critical spares to be used and to be kept for future emergencies to be completed by March of current financial year.	Nos.	6	
8	Settlement of Audit Paras more than one year old	Nos.	3	
9	Claim recoverable from suppliers / Contractors and with Insurance companies.	Nos.	2	
10	CSR & SD activities	Nos.	2	
11	Training	Training Days	2	
12	Forced Outage	Machine Hrs.	10	
<b>Total</b>			<b>100</b>	

iii) Actual achievement against their Internal MOU target shall be provided by O&M division to the Committee for evaluation of Team performance (Tp) rating of Power Stations.

iv) In case the target of any Power Station is not achieved due to the unforeseen circumstances beyond the control of Power Station like complete shutdown with the approval of management, shut down due to high silt, less inflow, grid problem/ failure, local agitation/ strikes and any outages due to unforeseen circumstances, the O&M division, corporate Office shall calculate the assumed percentage (%) of activities shortfall or loss power station-wise duly recommended by ED (O&M). Subsequently the above calculated losses shall be considered to set-off by the Evaluation Committee for Team Performance rating (Tp).

### Performance- Score Relationship for Power Stations

On the basis of actual achievement the score will be provided. The relationship between performance and score shall be as per table given below:

Sl. No.	Description	Unit	Weightage	Actual Performance score				
				81% & above	61 to 80%	41 to 60%	21 to 40%	20% & below
1	Generation	MU	<b>20</b>	20	16	12	8	4
2	Plant Availability Factor	Percent (%)	<b>15</b>	15	12	9	6	3
3	Capital Budget Expenditure	Percent (%)	<b>10</b>	10	8	6	4	2
4	Two Major Physical activities planned by Power station i.e new works /major rectification including civil & HM works.	Nos.	<b>9</b>	9	7.2	5.4	3.6	1.8
5	Special Maintenance i.e Capital / Annual maintenance of machines and other structures with period.	Nos.	<b>12</b>	12	9.6	7.2	4.8	2.4
6	Completion of repair of underwater parts (Runner, Guide Vanes, Cheek Plates etc.) already available/ which will be available during maintenance as planned within current financial year.	Nos.	<b>9</b>	9	7.2	5.4	3.6	1.8
7	Completion of procurement of all critical spares to be used and to be kept for future emergencies to be completed by March of current financial year.	Nos.	<b>6</b>	6	4.8	3.6	2.4	1.2
8	Settlement of Audit Paras more than one year old	Nos.	<b>3</b>	3	2.4	1.8	1.2	0.6
9	Claim recoverable from suppliers / Contractors and with Insurance companies.	Nos.	<b>2</b>	2	1.6	1.2	0.8	0.4
10	CSR & SD activities	Nos.	<b>2</b>	2	1.6	1.2	0.8	0.4
11	Training	Training Days	<b>2</b>	2	1.6	1.2	0.8	0.4
Sl. No.	Description	Unit	Weightage	20% & below	21 to 40%	41 to 60%	61 to 80%	81% & above
12	Forced Outages	Machine Hrs.	<b>10</b>	10	8	6	4	2
<b>Final Score</b>			<b>100</b>	<b>100</b>	<b>80</b>	<b>60</b>	<b>40</b>	<b>20</b>

**Note:** Figures regarding performance after rounding off to two decimal places & shall be converted to nearest whole number e.g. up to 85.50 shall be treated as 85% and 85.51 and above shall be treated as 86%.

(2) **CONSTRUCTION PROJECTS, SURVEY & INVESTIGATION PROJECTS AND OTHER WORKS:**

Any project, unlike an established running plant, is a one time affair. Hence the time lag between the efforts put in and realization of actual benefits is much higher in case of construction and investigation projects. Actually the benefit accrued from the project can be gauged only at the completion of the project; still the importance of motivating people engaged in a construction/investigation project on a sustained basis cannot be undermined. Further timely completion of project can yield staggering results in terms of project development capabilities to the power stricken economy.

- i) The performance will be estimated /judged on the basis of **Annual Performance Index (API)** by achievement of milestones specified for any construction/ investigation project. The milestones / targets for each Project shall be proposed by PMSG division within thirty (30) days after the signing of NHPC MOU for corresponding financial year.
- ii) The rating of Team Performance will be obtained on the basis of score earned by the project on the basis of API for the year.
- iii) The score will be derived as per the formula prescribed below
- iv) In case of Construction / S&I projects wherein activities towards the milestones could not commence due to uncontrollable factors like local agitation/strike, flooding, delay in pre-requisite approval by state / Administration / Statutory authorities, natural calamities, act of terror in whole or part of project surrounding, conflict with other agencies operating / working in the project area, stoppage of works by Courts or Statutory bodies / authorities and geological surprises. The PMSG division shall provide/record the reasons thereof duly recommended by the



ED(PMSG) thereafter, the respective milestone shall not be reckoned in the API calculation for team performance.

v) In case of Construction/S&I projects wherein activities towards the milestones commenced but could not achieved the desired targets due to unforeseen circumstances like local agitation/strike, flooding, delay in pre-requisite approval by state / Administration / Statutory authorities, natural calamities, act of terror in whole or part of project surrounding, conflict with other agencies operating / working in the project area , stoppage of works by Courts or Statutory bodies / authorities and geological surprises . The PMSG division shall calculate the assumed percentage (%) of activities shortfall as per “Annexure-A1-a”, duly recommended by the ED(PMSG) subsequently, the assumed percentage shortfall shall be considered to set-off by the Evaluation Committee for Team Performance rating (Tp).

vi) The locations, where targets could not be fixed due to no work or nature of work. The performance rating shall be regulated based on the rating of RO or CO as per the reporting of the respective location. In case the particular Regional Office is having only S & I projects and where no milestones have been fixed, the team performance shall be regulated as per the rating of Corporate Office.

vii) Achieving of any milestone, the time efficiency & work efficiency of the milestones shall be restricted to 200% (in case it exceeds more than 200%) for the purpose of calculating average API.

viii) During the FY, if the status of any project get changed the rating shall be calculated on the basis of milestones fixed for the particular project irrespective of the current status.

### Illustration for Calculation of API

The Annual Performance Index (API) shall be worked out as under:

Description of Milestones.(M)	Target Days (TD)	Actual Days (AD)	Time Efficiency* (TD/AD)
A	A1	A2	T1
B	B1	B2	T2
C	C1	C2	T3
D	D1	D2	T3
E	E1	E2	T5
F	F1	F2	T6
G	G1	G2	T7
H	H1	H2	T8
I	I1	I2	T9

### Formula for Calculation of % API:

$$\text{API (\%)} = ((T1+T2+T3+..... +T9) * 100) / N$$

Where M= Milestones, T1, T2... = Time efficiency, N = Number of Milestones.

**\*Note:** In case the milestone is not achieved in a particular financial year in terms of time efficiency, the work efficiency will be calculated by dividing completed work by target work in relevant units or % work in terms of task efficiency meaning thereby in such case time efficiency would be replaced by % work completed or task efficiency.

### Performance- Score Relationship for Projects and other works

On achievement of API (Projects) the score will be provided. The relationship between performance i.e. API and score shall be as per table given below:

Table

Performance (%)API	Projects Score(S)
100 & above	100
99	99
98	98
97	97
96	96
95	95
94	94
93	93
92	92
91	91
90	90
89	89
88	
....	....
....	....
Upto zero	0

(Subject to maximum score of 100)

**Note:** Figures regarding performance after rounding off to two decimal places & shall be converted to nearest whole number e.g. up to 85.50 shall be treated as 85% and 85.51 and above shall be treated as 86%.

**(3) Corporate Offices & offices directly/indirectly under the control of Corporate Office:**

The scheme envisages performance of corporate office linked with the progress made at the Stations/Projects. Team rating for the employees working at Corporate Office/ Liaison Offices/offices (functioning under the control of Corporate Office) would be derived on the basis of **weighted score average** earned as a whole by the Corporation. Weighted average shall be based on the employee manpower strength (**executive and supervisor only**) of the respective power stations /projects /units. An illustration for the same is shown here under:

**Illustration**

<b>Project / Power Stations</b>	<b>Score (S)</b>	<b>Manpower (Exe. &amp; Sup.) as on 31<sup>st</sup> March of the financial year (M)</b>	<b>Wtd. Points (MXS)</b>
Loktak	67	420	28140
Bairasiul	67	396	26532
Salal	100	806	80600
Chamera-I	76	371	28196
Tanakpur	94	401	37694
Uri	94	263	24722
Rangit	76	156	11856
Chamera-II	88	319	28072
Dhauliganga	83	290	24070
Dulhasti	67	542	36314
Teesta-V	98	280	27440
Uri-II	87	242	21054
Parbati –II	88	410	36080
Kisanganga	90	133	11970
Subansiri Lower	95	355	33725
		<b>5384</b> <b>Total Manpower(MP)</b>	<b>456465</b> <b>Total Score (TS)</b>

**Total Manpower (MP)** = **5384**  
**Total Score (TS)** = **456465**  
**Weighted Average Score (TS/MP)** = **84.78**  
**(upto two decimal places)**

**(4) Regional Offices / ED Offices, Liaison Office & offices directly /indirectly under the control of Regional Offices:**

As per the guidelines of DPE, Regional Office, the Team Rating shall be weighted average of all such power stations/ projects/units. Team rating for the employees



working at Regional Offices, ED Offices, Liaison offices & offices (directly/ indirectly under the control of Regional offices) would be derived on the basis of weighted average score earned by the particular Regional Office with respect to Projects/Stations functioning under the control of that Regional Office. The calculation of weighted average score shall be same as for Corporate Office shown above. Team rating for the employees posted at Liaison offices functioning under the control of particular station/Project shall be regulated as per the rating of RO or CO where that respective power station/projects reports at.

**(5) Team Performance Rating (Score-based Relationship):**

(Score to be taken up to two decimal place)

Score of Teams	Team Rating	%age eligibility of PRP
As per DPE guidelines		
80.01 -100.00	Excellent	100%
60.01 -80.00	Very Good	80%
40.01 -60.00	Good / Average	60%
20.01 -40.00	Fair	40%
00.00 – 20.00	Poor	Nil

Figures regarding score after rounding off to two decimal places & shall be converted to nearest whole number e.g. up to 85.50 shall be treated as 85% and 85.51 and above shall be treated as 86%.

**(6) Other General Conditions:**

- i) A committee of Executive Director consisting ED (HR), ED (Finance), ED (PMSG) and ED (O&M) will decide the milestones to be achieved during the year. The milestone/target, shall be primarily derived from MOU and as identified by the management.
- ii) On recommendation of Director (Tech.) & Director (Projects) and obtaining approval of CMD, the milestones will be published after the Company's MOU signed between CMD & Ministry of Power for the corresponding year.

- iii) Transfer of employees from one project/station/office to another project/station/office will be at the sole discretion of management to which the employees so transferred shall not raise any dispute. On transfer from one project/station/office to other, the normal Joining time will be counted towards attendance at new location and the team rating for the employee will be calculated on prorata basis on the basis of actual stay at particular location during the financial year.
- iv) In case of opening/creation of any unit in-between the financial year whose weighted average is dependent upon the milestones of the other, it will be deemed to have been in operation w.e.f. 1<sup>st</sup> April of the relevant financial year.
- v) Team Rating(Tp) for Executives and Non-unionized Supervisors posted in Projects/ Consultancy assignments outside India and Joint Venture Projects (except NHDC) shall be regulated as per the rating of Corporate Office (CO) for PRP distribution.
- vi) The committee is empowered to make recommendations in respect of score for each Project/power station and derivative score for R.O/C.O. based on the actual situation prevailing at various locations during the period of evaluation which may be at variance with the provisions of the scheme.
- vii) If milestones not fixed for any locations, the committee be empowered to make recommendations as per point (vi) above.

#### **Clarification / Interpretation**

- (i) In the event of interpretation of any part of this scheme being necessary, the decision of the Chairman & Managing Director shall be final and binding.

### Performance Related Pay (PRP): Examples for calculating Kitty factor/Allocable profit

- PRP Kitty distribution: within 5% of profit accruing from core business activities
- Ratio of relevant year's profit: increment profit = 65:35

#### Example-1

S.No	Parameters	Amount(Rs.) / %age
1	FY 2016-17	Profit = 5000 Crore
2	FY 2017-18 [ for which PRP is to be distributed]	Profit = 6000 Crore
3	Incremental profit	1000 Crore
4	5 % of current year's Profit	300 Crore
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	
a.	PRP payout from year's profit	195 Crore [i.e. 65% out of 300 Crore]
b.	PRP payout from incremental profit	105 Crore [i.e. 35% out of 300 Crore] [105 crore can be fully utilized as incremental profit is 1000 crore]
6.	Full PRP Payout requirement (computed for all executives based on Grade-wise ceiling, CPSE's MOU rating, Team rating & Individual performance rating) – but without applying kitty factor related to year's profit or incremental profit	500 crore
7.	PRP payout break-up based on 65:35 distribution out of year's profit and incremental profit:	
a	PRP amount required out of year's profit (i.e. 65% of SL No. 6)	65% of 500 crore = 325 crore
a 1	Cut-off factor(K1) (in %age) for year's PRP payout with reference to SL No. 5(a) & 7(a)	195 crore / 325 crore = 60.00%
b	PRP amount required out of incremental profit (i.e. 35% of SL No. 6)	35% of 500 crore = 175 crore
b 1	Cut –off factor (K2) (in %age) for incremental PRP payout with reference to SL No. 5(b) & 7(b)	105 crore / 175 crore = 60.00%
8.	Thus, Total Profit amount allocated for PRP distribution	195 crore + 105crore = 300 crore [i.e. 5% of Core business / operating profit]
9.	Kitty factor for respective Grade (in % age)	[ 65 % x Grade PRP ceiling (%) x Cut-off factor (K1) ] Plus (+) [35 % x Grade PRP ceiling x Cut – off factor (K2) ] = Kitty factor

### PRP Payout to Individual Executives

Example -1: For Grade E-1

S. No.	Parameters	Amount (Rs.) / %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 (E1) (Max. of 40% of BP)	40% of BP
E.	Cut-off factor (K1)	60.0 %
F.	Cut-off factor (K2)	60.0 %
G.	Kitty Factor for Grade E1 i.e [ 65% x D (Grade PRP ceiling x E (Cut –off factor (1) ) Plus (+) [35% x D (Grade PRP ceiling ) x F (Cut – off factor (2)]	$[65\% \times 40\% \times 60.00\%] + [35\% \times 40\% \times 60.00\%]$ = 15.60% + 8.40 % = 24.00 %
E.	<u>Net PRP</u>	
i	Factor –X [Company's performance component]	Wtg. (50% ) x A x G
	i.e	50% x 75% x 24.0 % =9.00%
ii	Factor –Y [Team's performance component]	Wtg. (30% ) x B x G
	i.e	30% x 100% x 24.00 % =7.20%
lii	Factor –Z [Individual's performance component]	Wtg. (20% ) x C x G
	i.e	20% x 60% x 24.00 % =2.88%
H	<b>PRP payout distribution</b>	<b>Factor X + Factor Y + Factor Z = 19.08% of Basic Pay</b>



## Performance Related Pay (PRP): Examples for calculating Kitty factor/Allocable profit

- PRP Kitty distribution: within 5% of profit accruing from core business activities

- Ratio of relevant year's profit: increment profit = 65:35

### Example-2

S.No.	Parameters	Amount(Rs.) / %age
1	FY 2016-17	PBT = 7000 Crore
2	FY 2017-18 [ for which PRP is to be distributed]	PBT = 6000 Crore
3	Incremental profit	Nil
4	5 % of the year's Profit	300 Crore
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	
a.	PRP payout from year's profit	195 Crore [i.e. 65% out of 300 Crore]
b.	PRP payout from incremental profit	105 Crore [i.e. 35% out of 300 Crore] [Nil amount to be allocated as profit is Nil.]
6.	Full PRP Payout requirement (computed for all executives based on Grade-wise ceilings, CPSE's MOU rating, Team rating & Individual performance rating) – but without applying kitty factor related to year's profit or incremental profit	500 crore
7.	PRP payout break-up based on 65:35 distribution out of year's profit and incremental profit:	
a	PRP amount required out of year's profit (i.e. 65% of SL No. 6)	65% of 500 crore = 325 crore
a 1	Cut-off factor(K1) (in % age) for year's PRP payout with reference to SL No. 5(a) & 7(a)	195 crore / 325 crore = 60.00%
b	PRP amount required out of incremental profit (i.e. 35% of SL No. 6)	35 % of 500 crore = 175 crore
b 1	Cut –off factor (K2) (in %age) for incremental PRP payout with reference to Sl. No. 5(b) & 7 (b)	Nil / 175 crore = 0.00%
8.	Thus, Total profit amount allocated for PRP distribution	195 crore + 0 crore = 195 crore [ i.e. 3.25 % of Core business / operating profit]
9	Kitty factor for respective Grade (in % age)	[ 65 % x Grade PRP ceiling (%) x Cut – off factor (K1) Plus (+) [35 % x Grade PRP ceiling X Cut – off factor (K2)] = Kitty factor

### PRP Payout to Individual Executives

Example -2: For Grade E-1

S.No.	Parameters	Amount (Rs.) / %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 / Average )
D.	Grade ceiling (E1) (Max. of 40% of BP)	40% of BP
E.	Cut-off factor (1)	60.0 %
F.	Cut-off factor (2)	00.0 %
G.	Kitty factor for Grade E1 i.e [ 65% x D (Grade PRP ceiling x E (Cut –off factor (K1) ) Plus (+) [35% x D (Grade PRP ceiling ) x F (Cut – off factor (K2)]	$[65\% \times 40\% \times 60.00\%] + [35\% \times 40\% \times 00.00]$ = 15.60% + 0.00 % = 15.60 %
E.	<u>Net PRP</u>	
i	Factor –X [Company's performance component]	Wtg. (50% ) x A x G
	i.e	50% x 75% x 15.60 % =5.85%
ii	Factor –Y [Team's performance component]	Wtg. (30% ) x B x G
	i.e	30% x 100% x 15.60 % =4.68%
lii	Factor –Z [Individual's performance component]	Wtg. (20% ) x C x G
	i.e	20% x 60% x 15.60 % =1.87 %
H	<b>PRP payout distribution</b>	<b>Factor X + Factor Y + Factor Z = 12.40 % of Basic Pay</b>

### Illustration for calculation of final achievements against milestones(Project A)

S. No.	Milestone	Date of start	Completion Schedule	Period (Target days)	Unit	Qty. during the year	Actual achievement	No. of days lost due to unforeseen circumstances	Pro-rata based assumed achievement during lost days	Achievement considering lost days	Remarks
				(T)			(A)	(t)	$a = A \times t / (T - t)$	$F = A + a$	
1	M1	4/1/2017	12/31/2017	275	%	100	70	30	8.6	78.6	30 days work closed due to unforeseen circumstances
2	M2	4/1/2017	3/31/2018	365	m	1000	700	45	98.4	798.4	45 days work closed due to unforeseen circumstances
3	M3	4/1/2017	11/30/2017	244	%	100	100	NA	NA	NA	MOU Milestone
4	M4	4/1/2017	3/31/2018	365	%	100	NA	NA	NA	NA	Milestone will not be considered for evaluation as per clause (iv) as the milestone could not be commenced

Note: This is an illustrative example without considering the project specific issues viz. law and order problems, inclement weather , transportations constrains, remote location of project etc.