

BHARAT DYNAMICS LIMITED
KANCHANBGH::HYDERABAD
(Office of General Manager (Personnel & Administration))

Ref: BDL/04/51/054/C-P&A

Date: 08 Dec 2010.

CIRCULAR

PC NO. 38/2010 dated 08 Dec 2010.

Sub: Revised Performance Incentive Scheme applicable to the Non-Executives of the Company.

In terms of the approval accorded in the 192nd Meeting of the Board of Directors held on 24 Nov 2010 and the Memorandum of Settlement reached between the Management and the recognized Union BDLETUC (INTUC) under Section 12(3) of the Industrial Disputes Act 1947, the Performance Incentive Scheme applicable to the Non-Executives of the Company is revised for a period of 4 years effective from 01 Apr 2010 to 31 Mar 2014.

2. The revised Performance Incentive Scheme is as at **Annexure** for implementation by all concerned. The financial benefits under the revised scheme will be made effective from 01 Apr 2010 in respect of Incentive paid/payable. With regard to Conveyance and Canteen allowance, it shall be effective from 01 Nov 2010.

3. The Drivers, Plumbers, MI Room Staff and Stenographers who are covered under different practice for compensation of extra hours work, are however not covered by para 6.7.2.7.

4. The arrears from 01 Apr 2010 to 31 Oct 2010 will be paid in due course.


(PPC AJAY KUMAR)
GENERAL MANAGER (P&A)

Encl: as above.

STANDARD DISTRIBUTION
HINDI VERSION FOLLOWS

ANNEXURE**(Para 2 of PC No. 38/2010 dt. 08 Dec 2010)****BHARAT DYNAMICS LIMITED, HYDERABAD- 500 058****REVISED PERFORMANCE INCENTIVE SCHEME FOR NON EXECUTIVES****1.0 PURPOSE**

- 1.1 The purpose of Performance Incentive scheme is to motivate employees to achieve higher levels of production and increase productivity by sharing the results of productivity gains.

2.0 TYPE OF INCENTIVE SCHEME:

- 2.1 The incentive scheme is basically a group incentive scheme. However, depending on the exigencies of work, group and/or individual incentive scheme will be made applicable.

- 2.2 The incentive scheme is broadly classified as

2.2.1 Production Incentive Scheme, based on production output in standard man hours.

2.2.2 Target Incentive Scheme based on saleable products.

3.0 COVERAGE OF THE SCHEME:

- 3.1 All employees of the company in wage groups of 1 to 10 are covered under the production incentive scheme, target incentive scheme.

- 3.2 Employees on consolidated salary, deputationist, apprentices, trainees, contract personnel and casual employees are not covered under the schemes.

4. CLASSIFICATION OF EMPLOYEES:

- 4.1 All employees mentioned in para 3.1. are classified as direct, semi direct and indirect categories as mentioned below:

- 4.2 Direct employee:

Direct employee is an employee who is engaged in the manufacture of saleable product, components/assemblies and tools.

4.3 Semi Direct Employee:

Semi direct employees are those employees who are engaged in inspection of products/items or maintenance functions of plant, machinery and equipment and belongs to quality control and plant engineering departments respectively, Planners of various departments and employees who belong to a department which extend technical support and who are engaged to assist direct employees but excludes helpers who assist direct and semi direct employees.

4.4 Indirect Employee:

All the employees in the wage groups 1 to 10 except the employees mentioned in 4.2, 4.3.

5 INCENTIVE PERIOD:

Every calendar month will be an incentive period for production incentive and honorarium payment.

6 METHODOLOGY FOR CALCULATION OF PRODUCTION INCENTIVE PAYMENTS:

Production incentive payments are linked to specified levels of productivity index achieved by cost centers covered under production groups viz., component production , tool room and assembly of production divisions.

6.1 THE PRODUCTIVITY INDEX (PI) IS CALCULATED AS BELOW:

6.2 Total SMH output for accepted quantity of individual
Or group of direct employees as applicable for the
Incentive period

$$PI (\%) = \frac{\text{Total SMH output for accepted quantity of individual Or group of direct employees as applicable for the Incentive period} \times 100 - R}{\text{Total Normal Attended Hours (NAH) of individual or group of direct employees as applicable + Comp. Off hours of individual/group of direct employees as applicable for the same period}} \times 100$$

Total SMH upto and the stage of rejection for Rejected components/assembly of the group for Incentive period.

$$R (\%) = \frac{\text{Total SMH upto and the stage of rejection for Rejected components/assembly of the group for Incentive period}}{\text{Total SMH produced including rejection SMH by The group for the same incentive period}} \times 100$$

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Normal attended hours means the actually clocked attended hours of direct employee used for the purpose of wage bills and attendance excludes leave, comp. Off and training hours.

Where comp. Off hrs means the extra hrs worked without payment but availing comp off not in the same month.

6.3 The productivity index is calculated as above for individual/group as applicable once in every incentive month for every cost center to cover direct employees.

6.3.1 PI of semi direct and indirect employees of production divisions will be calculated as weighted average PI of direct employees of related cost centers.

6.3.2 Similarly PI of semi direct and indirect employee of non production divisions eg. Corporate and Common Services will be calculated as weighted average PI of Direct employees of related production divisions.

6.4 The productivity index calculated according to the methodology indicated in para 6.2, 6.3.1, 6.3.2 and corresponding incentive payments are arrived at for direct, semi direct and indirect employees using the Table I, Table II and Table III respectively as given in para 6.6.

6.5 The gross incentive amount payable will be arrived at by applying the incentive amount from the tables I, II and III. The incentive amount payable to an individual employee will be product of gross incentive amount and attendance factor. Attendance factor of an individual employee is as given is as given below.

$$\text{Attendance factor} = \frac{\text{Normal attended hours in the incentive month}}{\text{Available hours in the incentive month}}$$

Age.

6.6 PRODUCTION INCENTIVE PAYMENTS PER POINT OF PI

TABLE I

DIRECT

Pi (%)	rate per Point (Rs)	Gross amount/head/month at the last point of the Slab for full attendance (Rs.)
Upto 50%	Nil	Nil
At 51%	420(fixed)	420(fixed)
52 to 60%	30.00	690
61 to 70%	35.00	1040
71 to 80%	36.00	1400
81 to 90%	39.00	1790
91 to 100%	44.00	2230
101 to 110%	37.00	2600
111 to 120%	30.00	2900

Table II

SEMI DIRECT:

Up to 59%	Nil	Nil
At 60%	480 (Fixed)	480 (Fixed)
61 to 70%	26.00	740
71 to 80%	28.00	1020
81 to 90%	32.00	1340
91 to 100%	32.00	1660

Table III

INDIRECT

Upto 59%	Nil	Nil
At 60%	340(Fixed)	340(Fixed)
61 to 70%	19.00	530
71 to 80%	20.00	730
81 to 90%	24.00	970
91 to 100%	24.00	1210

Note: For employees of Assembly (on weekly basis), Gross amount per head per week will be $\frac{1}{4}^{\text{th}}$ of Gross amount per head per month as indicated in the above tables.

6.7 HONORARIUM PAYMENT FOR EXTRA PI BEYOND 120%

6.7.1 Due to any work exigencies, if an employee/group of employees is required to exceed 120 PI in an incentive month, the honorarium payment from 121 PI and above would be made as below subject to all other conditions governing the Incentive Scheme.

Rate in Rs. Per PI/head/month
For full attendance

Category	01-04-2010	01-04-2011	01-04-2012	01-04-2013
	To	To	To	To
	31-03-2011	31-03-2012	31-03-2013	31-03-2014

Direct:

a) CP & Assy (Monthly)	87	89	91	93
b) Assembly (Weekly)	73	75	77	79

Within working hours Sundays/holidays

c) Semi direct 90% of rate of direct 100% of rate of direct

Rate in Rs. Per PI/head/month
For full attendance

Category	01-04-2010	01-04-2011	01-04-2012	01-04-2013
	To	To	To	To
	31-03-2011	31-03-2012	31-03-2013	31-03-2014

d) Shop Helpers 51 53 55 57

6.7.2 Methodology of calculation of extra PI beyond 120% will be same as per the existing practice

6.7.2.1 For CP direct employee, if an individual employee exceed 120 PI on daily basis on weekdays, extra SMH beyond 120 PI will be converted into extra PI by dividing extra SMH by 1.89. On Sunday and Holiday, SMH output will be converted into extra PI by dividing SMH by 1.89 without correlating 120 PI during normal working hours. Individual amount will be calculated by multiplying extra PI with the rate as indicated in 6.7.1 a)

6.7.2.2 For assembly direct employee (monthly basis), if a cost center exceeds 120 PI in an incentive month taking total SMH output during normal working hours, Sundays, Holidays and extra stay on week days, Extra PI beyond 120% will be multiplied by the rate as indicated in 6.7.1 a) to get individual amount.

6.7.2.3 For assembly direct employee (Weekly basis), if a cost center exceeds 120 PI in a week, extra SMH beyond 120 PI will be converted into extra PI by dividing extra SMH by 1.89. To get individual extra PI, total extra PI will be divided by no. of direct employee in the said cost center, individual amount will be calculated by multiplying individual extra PI with the rate as indicated in 6.7.1 b)

6.7.2.4 Semi direct employees of QC, PED (excluding IGQC, FQC, PED(Preventive Maintenance) and RTH employees), PPC Shop Planners, IED planners, Tool Crib Operators, Storekeepers, Methods Planners, Tool Planners, IMM Planners, indigenisation, SEG group planners and Shop helpers are eligible for payment for extra PI beyond 120% as per the existing practice i.e., on the basis of weighted average of extra PI of respective direct cost centers wherever they are attached. The amount of Semi direct and Shop Helpers will be calculated by multiplying extra PI with the rate as indicated in 6.7.1 C) and 6.7.1 d) respectively.

6.7.2.5 IGQC, FQC, PED (Preventive maintenance), RTH employees will be paid honorarium of Rs. 70/- per hour of extra stay on Sundays, holidays and extra shift on week days. Any relaxations to the above ceiling of 65hours per head per month will be with the prior approval of CMD.

6.7.2.5.1 In cost centers, when in any incentive month, work load does not result in payment of Incentive (PI or Honorarium) for that month; Direct Employees, when required to stay back after regular working hours may be

paid @ Rs. 70/- per hour so stayed, with prior specific approval at Director level, subject to proportionate PI not accounted for calculation of monthly PI.

- 6.7.2.6 All other semi direct employees not covered under clause no. 6.7.2.4 and 6.7.2.5 will be paid honorarium of Rs. 70/- per hour of extra stay on Sundays, holidays and extra shift on week days with a maximum ceiling of 200 hours per head per financial year. Ceiling of 200 hrs is extendable upto 300 hrs subject to prior approval of CMD.
- 6.7.2.7 Indirect staff (excluding helpers) will be paid honorarium of Rs. 55/- per hour of extra stay on Sundays, holidays and extra shift on weekdays with a maximum ceiling of 200 hours per head per financial year. Ceiling of 200 hrs is extendable upto 300 hrs subject to prior approval of CMD.
- 6.7.2.8 Indirect Helpers will be paid honorarium of Rs. 35/- per hour of extra stay on Sundays, holidays and extra shift on week days with a maximum ceiling of 200 hours per head per financial year. Ceiling of 200 hrs is extendable upto 300 hrs subject to prior approval of CMD.
- 6.7.3 Conveyance for Kanchanbagh employees only and canteen reimbursement for Kanchanbagh and Bhanur employees on Sundays, Holidays will be paid as below.

Period: from 01 Nov 2010 to 31 Mar 2014

Rate (Rs. Per day)

- a) Conveyance Rs. 100/- on Sundays and Holidays
 b) Canteen/Food i) Rs. 60/- on Sundays and Holidays.
 ii) For extra stay on working days (excluding III shift) canteen reimbursement will be Rs. 35/- if the stay is more than four and half hours..

Conveyance and Canteen amount will be paid to those employees who are eligible for honorarium.

- 6.7.3.1 Employees earning honorarium and are asked to stay back beyond General shift hours for extra work beyond scheduled departure time of General shift buses (Regular duty in I shift /General shift) on working days, will be reimbursed conveyance expenditure for one way @ Rs. 50/- (for minimum stay back of 2 hours beyond general shift hours). This is applicable only to those employees who are bus pass holders and are not drawing monthly conveyance allowance. In other words the employees who are drawing monthly conveyance allowance and attending duty on their own transport are not eligible for reimbursement of conveyance expenditure for return journey on working days after staying back for extra hours.



conveyance expenditure for return journey on working days after staying back for extra hours.

6.7.3.2 Employees earning honorarium and are asked to attend duty on Sundays and holidays will be made reimbursement of conveyance expenditure of Rs.100/- per day of attendance. This is applicable to the employees who are bus pass holders as well as employees who are claiming monthly conveyance reimbursement.

6.7.3.3 Conveyance allowance will be paid when company transport is not available(on Sunday, holiday). In case of bus pass holder, if he is attending III shift it will be paid.

6.7.3.4 Canteen subsidy will be paid for extra stay of 4.5 hours and more, employees will not be eligible for canteen subsidy for extra stay in III shift.

6.7.3.5 The employees working beyond the specified shift hours will record the time of departure by swiping their Identity/Attendance card at the security control gate/outer gate, as the case may be. On Sunday and Holiday, they will record both the time of entry and the time of departure.

6.7.3.6 Extra stay beyond normal working hours on Week days, Sundays and Holidays will be need based and it will be at the discretion of the Management.

6.7.4 Maximum extra PI per head in any incentive month will be restricted to 80PI. However Management may at its discretion, revise this from time to time depending upon exigencies.

6.7.5 If work load in a cost center in previous incentive month is more than 30 PI and Group PI achieved below 10 PI, any honorarium amount payable under group extra PI in the current Incentive month will be reduced proportionately.

EXAMPLE: (Para 6.7.5)

For a Cost Centre, Workload: 35%, Group PI: 6% in November'10. Extra PI achieved in December'10: 50%. Extra PI payable in December'10 will be $50 - (10 - 6) = 46\%$, since the Group PI achieved 6%(Below 10%) in November'10.

6.7.6 In some cases semi direct/indirect employees attached to two or more cost centers may be eligible for honorarium even when PI is not admissible.

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- 6.7.7 Net Honorarium amount under group extra PI will be arrived as Gross honorarium amount multiplied by attendance factor as per the existing practice.
- 6.7.8 Honorarium amount under extra PI payable to semi direct employees and Shop helpers will be moderated by Manpower factor as per the existing practice.
- 6.7.9 The other terms and conditions of payment will be as per the existing practice.
- 6.7.10 At the beginning of every financial year, decision regarding weekly/monthly incentive pattern (Assembly cost centers only) will be taken at Directors level subject to validity for minimum period of one year.
- 6.7.11 In cases where a cost center is already earned honorarium beyond 120 PI during month, it is mandatory for direct employee and Semi direct employees and shop helpers attached to the cost centers to stay beyond regular attendance hours and attend to the production to maintain the schedule.

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7 TARGET INCENTIVE SCHEME:

7.1.0 PURPOSE:

7.1.1 The purpose of Target Incentive Scheme is to motivate all employees to achieve higher levels of quarterly saleable output and productivity.

7.2.0 TYPE OF INCENTIVE SCHEME:

7.2.1 Target Incentive Scheme is applicable division wise and is based on saleable products and is applicable only after achieving 60% target index and upto a maximum of 110% T.I.

7.3.0 COVERAGE:

7.3.1 The Scheme covers all employees in Wage groups 1 to 10.

7.3.2 This scheme does not cover Apprentices, Trainees, Contract Labourers, Deputationists, Employees on consolidated salary and casual employees.

7.4.0 PERIOD:

7.4.1 Every Quarter comprising of 3 calendar months commencing from April will be an Incentive quarter.

7.5.0 METHODOLOGY FOR CALCULATION OF TARGET INCENTIVE SCHEME:

7.5.1 The incentive payment will be made after achieving 60% target index and is computed as below upto a maximum of 110% T.I.

The target index will be calculated division wise as follows and is expressed as percentage.

$$TI(\%) = \frac{\text{Total SMH output of the finished products accepted by the user in an incentive quarter}}{\text{Normal Attended Hours of the direct employee(excluding tool room)+ Comp. Off hours during the same incentive quarter.}} \times 100$$

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7.5.2 TARGET INCENTIVE TABLE:

Target Index (%)	Rate per Point per Month(Rs.)	Gross amt. Per head per month for full attendance at the last point of slab (Rs.)
Upto 59%	NIL	NIL
At 60%	125.00(fixed)	125.00(fixed)
61 to 70%	6.00	185.00
71 to 80%	7.00	255.00
81 to 90%	8.00	335.00
91 to 100%	8.00	415.00
101 to 110%	5.00	465.00

7.5.3 The Target Index (TI) for non production divisions eg. Common Services, Corporate Office will be calculated as total saleable SMH output of related production divisions divided by total NAH of direct employees (excluding tool room, NDT/X- ray) of the same production divisions for an incentive quarter.

7.5.4 The net target incentive amount payable to an individual employee is obtained by multiplying the gross incentive amount with attendance factor of an individual employee.

$$\text{Attendance factor} = \frac{\text{Normal attended hours in the incentive quarter}}{\text{Available hours in the incentive quarter}}$$

8.0 GENERAL CONDITIONS GOVERNING THE INCENTIVE SCHEME:

8.1 OBJECTIVE

The primary objective of incentive scheme is to encourage team spirit and commitment on the part of employees towards higher production and excellence in manufacturing.

8.2 TIME STANDARDS:

8.2.1 Existing set up and operation times rationalized (including reduction) for the present definition of the process will continue.

Note: In case of IFD's SMH of each item will be same as established in the Indenting Divisions.

8.2.2 Time standards will be reviewed by respective Divisional IED's for operations being carried out on old machines which are frequently coming under break down/repairs.

8.2.3 Management has a right to change the time standards within one year from the date of introduction of incentive scheme in any shop. In case of new jobs the standards can be changed within one year of introduction of the Incentive scheme in any shop/or the introduction of the new jobs/processes. Thereafter the standards are subject to change, if methods, tools and working conditions etc., are changed.

8.2.4 Management reserves the right to review the time standards whenever it is found that elements of process/times established by Methods/IED have been deviated by operator/group of operators without the approval of IED.

8.2.5 The quantity accepted by QCD upto the last working day of every incentive month will be taken into consideration for calculating the output in standard man hour as indicated on work order documents for the purpose of calculating productivity index.

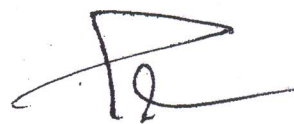
8.2.6 In case of rejection of semi finished products, Assemblies, the repairs of products will be done by the concerned employee(s) and weight age for further work will not be given unless and otherwise the rejected items / sub assemblies are rectified.

8.3 RIGHT AND ENTITLEMENT:

- 8.3.1 If for any reasons, load on any shop or for group or individual employee does not warrant the operation of incentive scheme, management in consultation with the recognized union have the right to withdraw the scheme(s) of for such period for such group/shop/individual as may be necessary. In addition, employees covered under the schemes are not entitled to claim compensation for short fall in the monthly/ quarterly incentive earnings due to reasons such as want of material, components, power cut, break down on machinery and equipment or want of orders etc.,
- 8.3.2 The Placement/allocation of employees to various jobs will be strictly governed by exigencies of work and load and strictly under the discretion of Management including transfers in between different cost centers.
- 8.3.3 Incentive payments will not count as pay or allowance for any purpose.
- 8.3.4 The management have the right to decide output level and shall further have the right to alter such levels or introduce new or modified products.
- 8.3.5 The SMH output for re-work arising out of external constraints shall be credited to the group/ individual as applicable. This requires prior approval of concerned Functional Director.
- 8.3.6 The departmental heads shall have the right to assess the work expected from an employee and in case the expected out put has not been turnout by the employee, he may assign a rating factor ranging from 0 to 1 to any employee. The factor when assigned by the Departmental head shall be used for calculating the net incentive amount payable to the individual employee.

8.4 ERROR AND DISQUALIFICATION:

- 8.4.1 In case there are any arithmetical, clerical or typographical errors, they will be corrected by the Management.
- 8.4.2 An employee shall be disqualified for receiving incentive payments, if he is dismissed, discharged or terminated from the services for any reason.
- 8.4.3 In case of any discrepancy arising out of errors / omissions/commission in incentive payment, the request for redressal from employee will be considered upto one quarter from the date of concerned incentive payment. The management also reserves the right to recover any excess payment made any time during the same or subsequent quarter from the salary of the concerned employee.



8.4.4 An employee who is placed under suspension will not be eligible for incentive payment even if he is subsequently exonerated with back wages.

8.5 CLASSIFICATION AND PROCEDURE

8.5.1 The classification, categorization of direct, semi direct and indirect employees and attachment of semi direct and indirect employees to a cost center, group of cost centers, CP, Assembly and division, is at the discretion of the concerned Functional Director. Any attachment will be done at the beginning of the financial year and will be valid for the full financial year. Any further change in between will not be allowed.

8.5.2 The methodology of calculation of incentive will be same as per the existing practice.

8.5.3 The employees will follow the normal grievance procedure regarding the operation of the scheme.

9 BATCH QUANTITY:

9.1 The batch quantities for work order of existing projects would be same as per the existing practice.

9.2 In respect of future projects/products the batch quantity would be the monthly rate of production for mass production projects/products and half yearly rate of production for batch production projects/products.

10 PERIOD OF VALIDITY:

10.1 The revised production incentive, honorarium and target incentive scheme is valid from 01 Apr 2010 to 31 Mar 2014.

10.2 The scheme will be operated with revised rates effective from 01 Apr 2010 and arrears will be paid accordingly.

