

**Press Note No. 4/2011 dated 8.2.2011**

**Managerial Remuneration in unlisted companies having no profits/  
inadequate profits**

Companies are divided into private limited and public limited companies. Public limited companies are of two types – listed companies (whose shares are listed on a stock exchange) and unlisted companies. Normally, the general public does not hold shares in unlisted companies. Private limited companies are not subject to any limits on managerial remuneration. Public limited companies (listed and unlisted) with no profits/ inadequate profits are currently required to approach the Ministry for approval in those cases where the remuneration of Directors/ equivalent managerial personnel exceeds certain limits.

2. The matter has been re-examined in the light of the evolving economic and regulatory environment. The primary purpose of regulations over managerial remuneration is to protect stakeholders, particularly shareholders and creditors. Unlisted companies are in several respects similar to private limited companies. A substantial number of the applications coming to the Ministry fall under this category and the Ministry's limited manpower is disproportionately involved in this exercise. In the case of unlisted companies so long as the conditions specified in Schedule XIII, including special resolution of shareholders and absence of default on payment to creditors, are fulfilled approval will not be needed hereafter.

3. Accordingly, Schedule XIII of the Companies Act 1956 is being amended to provide that unlisted companies (which are not subsidiaries of listed companies) shall not require Government approval for managerial remuneration in cases where they have no profits/ inadequate profits, provided they meet the other conditions stipulated in the Schedule.