

# Managerial Remuneration (Section 197,198 & Schedule V)

In Case there are No Profits or Profits are Inadequate(Schedule V)

Remuneration to Managerial Person (Not to other Directors) shall be based on **Effective Capital of Company**

In Case of Sufficient Profits in the Company

Company can pay upto 11% of Net Profit as Managerial Remuneration to all Directors/Whole Time Director (WTD)/Managing Director (MD) & Managers

WTD/MD/ Managers Only

Other Directors

Companies having single Managerial Person i.e., either one WTD or one MD or one Manager

Company Having  $\geq 2$  Managerial Persons

Company Having MD/WTD/Manager

Company Having MD/WTD/Manager

Maximum Remuneration 5% of Net Profit to such person

Maximum Remuneration 10% of NP to such person

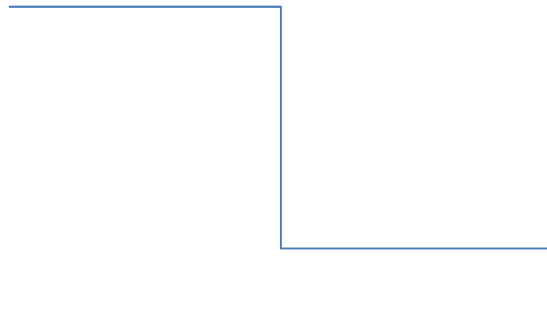
Maximum Remuneration to all other Directors Can not exceed 1% of Net Profit

Maximum Remuneration 3% of Net Profit to all other Directors

Effective Capital	Aggregate Annual Remuneration
(a) Negative Effective Capital or Less than Rs.5 Crores	Maximum Rs.60 Lakhs
(b) Rs.5 Crore but Less than Rs.100 Crore	Maximum Rs.84 Lakhs
(c ) Rs.100 Crore but Less than Rs. 250 Crore	Maximum Rs. 120 Lakhs
(d ) Rs.250 Crore or More	Maximum Remuneration would be :: Rs.120 Lakhs + 0.01% <b>Effective Capital</b> in excess of Rs.250 Crore

## Calculation of Net Profit Under Section -198 of the companies Act 2013

Gross Profit -	XXX
<b><u>Less:</u></b> All Indirect Expenses	(XXX)
<b><u>Less:</u></b> Depreciation as per Schedule II	(XXX)
<b><u>Add:</u></b> All Indirect Income Including Subsidies, Government Grants	XXX
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Net Profit Before Tax	<b>XXX</b>
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Managerial remuneration is not included, but director sitting fees are part of the calculation.

## Calculation of Effective Capital

Paid up Share Capital	XXX - (Equity Share Capital + Preference share Capital )
<u>Add:</u> Securities Premium	XXX
<u>Add:</u> Total Reserves & Surplus	XXX - (Excluding Revaluation Reserves)
<u>Add:</u> Long Term Loans & Deposits	XXX - Debentures & Loans from Financial Institutions
<u>Less:</u> Investments made in case of Non-Investment Companies	(XXX)
<u>Less:</u> Accumulated Losses	(XXX)
<u>Less:</u> Preliminary Expenses Not yet written off	(XXX)
Effective Capital	<hr/> <b>XXX</b> <hr/>