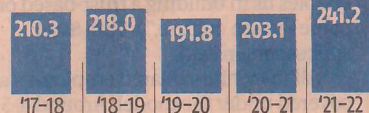


Mind the gap: Avg top exec earns over 240x median staff pay

WIDENING GULF

RATIO OF TOP EXEC SALARY TO MEDIAN EMPLOYEES'

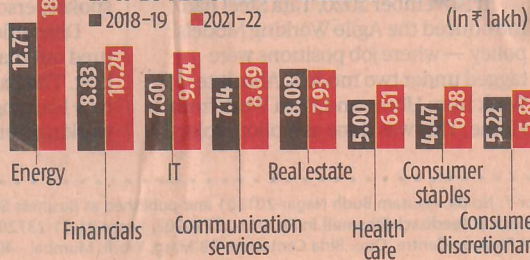


Note: The sample included 300 companies from the Nifty500 index for which data was available; numbers show the sample average
Sources: PRIME Infobase; Business Standard calculations

TOP EXECS' AVG COMPENSATION ANNUALLY



MOST SECTORS HAVE MEDIAN EMPLOYEE SALARY BELOW ₹10 LAKH



SACHIN P MAMPATTA
Mumbai, 27 December



Chief executive officers (CEOs), managing directors (MDs), and other company top executives have widened the gap in pay between themselves and their employees.

The average top executive now earns 241.2x the median employee compensation, reveals an analysis of data from tracker PRIME Infobase.

This figure for 2021-22 (FY22) is higher than the pre-pandemic year (2018-19, or FY19) when the ratio had hit 218.

The ratio declined to 191.8 in 2019-20 but has been rising since.

The average top executive compensation exceeded the FY19 level of ₹10.3 crore. It has now touched ₹12.7 crore, or a monthly compensation of ₹1 crore. The median employee salary is now ₹8.2 lakh for the companies in the sample.

The highest-paid executive for the year was Uttam Tibrewal of Jaipur-based AU Small Finance Bank (SFB) at ₹121.3 crore. This included ₹119.59 crore worth of employee stock ownership plan (ESOP) exercised in FY22.

Companies provide stock options — or the right to buy shares at a set price — as a way of rewarding key personnel.

Mumbai-based Crompton Greaves Consumer Electricals (Crompton) MD Shantanu Khosla was the second-highest-paid executive in the sample. He also received similar ESOPs worth over ₹100 crore, of his total compensation of ₹110.82 crore.

Pharmaceutical company Divi's Laboratories (Divi's) MD Murali K Divi had a total compensation of ₹110.4 crore. The company awarded him ₹110.1 crore based on net profits.

Crompton and Divi's did not respond to emails seeking comment until the time of going to press.

AU SFB clarified that options under ESOP were given when it had not yet been granted a banking licence, and pertained to compensation for performance over several years. The spike in compensation seen in FY22, it said, is only because of these options being exercised together in FY22 and the change in share price in the interim. The compensation, it stated, otherwise remains in line with what the Reserve Bank of India has approved. "...the value of ESOPs was substantially lower when they were granted in 2017, compared to FY22 when he (Tibrewal) exercised the afore-said ESOPs," the company said in an emailed statement.

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Top exec...

Stock options are becoming a popular way for private equity firms to motivate leadership in which they invest, says Shriram Subramanian, founder and MD of domestic proxy advisor InGovern Research Services.

“They want to reward the executives for creating value,” says Subramanian. This need not cause a problem as long as the amounts do not cause excessive dilution and come



with adequate disclosures, he adds. The pay gap is significantly higher in some cases, with key sectors like information technology (IT) seeing top-draw executives earn 380-1,100x the median employee salary. IT companies are willing to pay more for those in top roles, given the need for steady leadership in volatile times, observes Vijay Sivaram, CEO, Quess IT Staffing.

The ability to handle digital interventions, agility, and strong people skills are becoming crucial aspects of leadership in uncertain times, he says. “Those who can command these skills come at a higher package as well,” he adds. There was a surge in the overall compensation which has now begun to drop, says Sivaram. He sees external hiring taking place, with hikes of 20-30 per cent in the mid-management space. Internal appraisals are expected to be between 8 per cent and 10 per cent.

Sectoral data shows that median employees across most sectors earn less than ₹10 lakh annually.

The exceptions are energy (median employee salary of ₹18.86 lakh), utilities (₹11.88 lakh), industrial (₹11.09 lakh), and financial (₹10.24 lakh).

The energy segment is largely driven by the fact that only two companies are part of the sample. Both Petronet LNG and Coal India from the segment are public sector undertakings.

Real estate is the only sector which had a lower median employee salary in FY22 than in FY19.