

CEOs prosper as workers suffer in year of upheaval

BY NITI KIRAN

The pandemic turned 2020 into a year of economic turmoil. However, amid widespread job losses, members of the C-suite were able to corner handsome pay hikes, data suggests. Nifty 100 companies paid chief executive officers (CEOs) and managing directors an 11% raise in their median remuneration in 2020-21, even as other employees got almost flat pay raises, shows an analysis of data from primeinfobase.com.

The coveted club of Nifty 100 directors earning more than ₹1 crore in a year shrank as some took pay cuts in solidarity with staffers. However, the decline, the first in years, was marginal. As many as 293 directors earned ₹1 crore in 2020-21, down from 297, Mint calculations show.

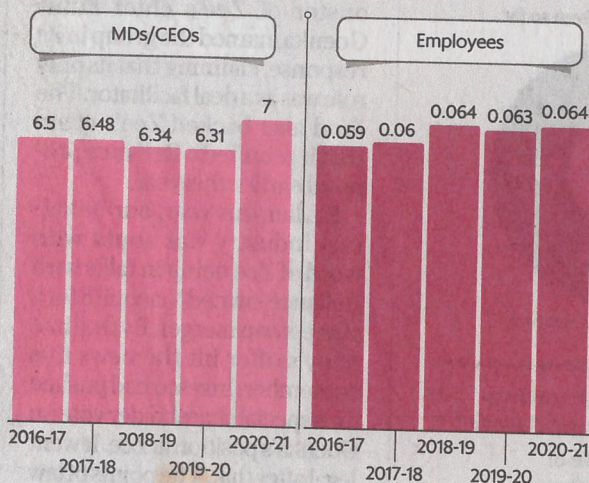
Some industry experts attribute the inequity partly to the extra responsibility the top bosses shouldered in steering their companies through the unprecedented crisis. However, recent face-offs at Eicher Motors and Balaji Telefilms show shareholders are not too pleased, turning down several resolutions on board remuneration in recent months.

"Barring a few industries that were particularly badly hit, many companies have done well in terms of pivoting to digital, relooking at their operations and supply chains, and taking out costs," said Sonal Agrawal, managing partner at Accord India, a C-suite executive search firm. "Some who navigated the volatility successfully are being rewarded for it".

The relentless rally in stock markets since last year may also have contributed to fatter pay packets, experts said, citing the growing prevalence of performance shares, employee stock ownership plans (ESOPs), and restricted stock options.

India Inc CEOs pocketed huge hikes in a year of upheaval; workers' pay was flat

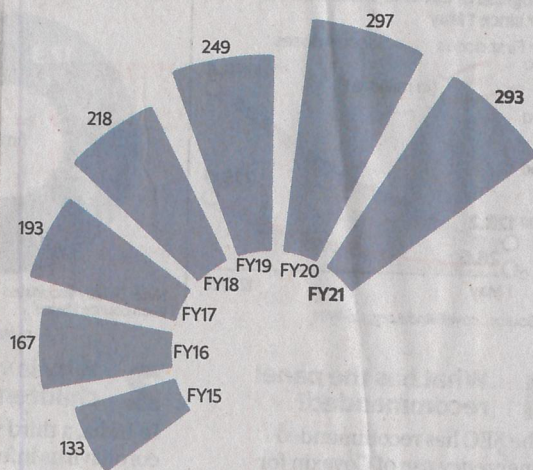
Median salary at Nifty 100 firms (in ₹ crore)



FY21 data only available for 85 companies. For companies that report earnings in cycles other than April-March, remunerations have been adjusted on a pro-rated basis to reflect April-March figures. Bonus/variable pay added in the year to which it pertains and not the year in which it is paid out.

Crorepati club among directors shrank only marginally despite financial troubles

Number of directors earning ₹1 crore or above (Nifty 100)



Both executive and non-executive directors considered. Remuneration includes bonus/commission, stock option amount wherever applicable.

Source: primeinfobase.com, CMIE; Mint analysis

Divergent Fortunes

AS IN the rest of the world, the earnings gap between the top executives and the average employee in India's listed firms has only been getting wider over the years. However, a year of layoffs may not be the best for that gap to grow further, particularly for companies that could not stave off financial distress, some analysts feel.

In 2020-21, Nifty 100 CEOs earned a median ₹7 crore, around 100 times the median pay of their employees. Not all could justify their pay raise with a revenue increase for their businesses. For some, the pay ratio was more than 1,000 times.

The analysis covered 85 companies for which the data was available.

It is fair for top business leaders to be compensated for navigating through last year's distress, but it should not be "at the cost of those rewards not flowing to the rest of the organization as well", said Pranav Haldea, managing director of PRIME Database.

For some, success at a time of crisis could validate salary jump

Remuneration jump (%) and company's financial performance for select companies, FY21

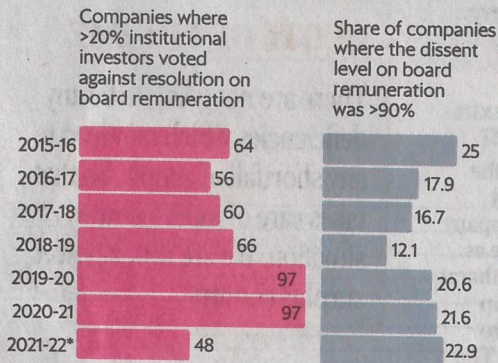
	Pay ratio	Remuneration growth	Sales growth
Murali K. Divi (MD, Divi's Lab)	1,868	54.4	24.1
Sajjan Jindal (CMD, JSW Steel)	1,054	0	10
Pawan Munjal (CEO, Hero MotoCorp)	826	2.8	3.4
H.M. Bangur (MD, Shree Cement)	728	11.6	6.8
Salil Parekh (MD, CEO, Infosys)	689	45	7.8
Rajiv Bajaj (MD, Bajaj Auto)	603	1.8	-8.4
Satish Pai (MD, Hindalco)	384	-22.8	6.6
Siddhartha Lal (MD & CEO, Eicher Motors)	340	10	-5
S.N. Subrahmanyam (MD & CEO, L&T)	338	4.9	-1.3

Sales data is standalone.

Ratio is of CEO pay to median worker pay (includes bonus/commission, stock options where applicable).

Source: CMIE, Mint analysis

Shareholders are increasingly voicing concerns over big fat paycheques



*Based on voting patterns announced till 7 August 2021. For FY22, a voting share above 75% was considered for the second column.

Source: primeinfobase.com, Mint analysis

Voicing Concerns

NO WONDER, signs of dissent are creeping in. Shareholders are increasingly peeved at high compensation packages for top executives. In 2018-19, at least 66 NSE-listed firms saw resolutions related to remuneration for the board rejected by more than 20% institutional investors. In 2020-21, this number rose to 97, the analysis shows.

Shriram Subramanian, founder and managing director of InGovern, a proxy advisory firm, expects compensation to become a major bone of contention between companies and shareholders for many years to come. Firms, he said, should have more detailed disclosures on compensation and should engage more with shareholders to understand their perspective on this.

Shareholders in some cases are putting their foot down, but there is still some distance to cover. In some cases, firms consider pay hikes after factoring in the pain and cost of replacing high-performing senior personnel, Agrawal said. Several boards went ahead with such hikes last year as long as they could afford it.

Global Practices

COMPANIES COULD build greater trust among shareholders if they establish a closer link between CEOs' earnings and the performance of firms. However, pay practices in India are not yet on par with those in the West. Variable pay and long-term incentives, components of pay linked to business performance, comprise 87% for US CEOs, but is just over half in India, shows a 2020-21 survey by Aon, a professional services firm.

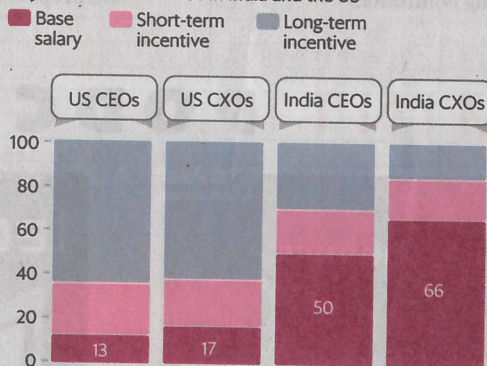
Such linkage between salaries and business metrics are gaining traction. As large Indian firms get global, they could relook their executive hiring practices, eventually moving compensation models closer to global practices, said Pothen Jacob, head of executive compensation and governance at Aon.

Boards and remuneration committees have been becoming sensitive to regulators and shareholder activism while taking a medium-to-long-term view on executive level compensation. However, as the pandemic year inequity shows, they may need to do more to address the lack of equilibrium in the organization.

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Just over half of CEO compensation in India is linked with business performance

Pay breakdown of CEOs in India and the US



CEO: Chief executive officer; CXO: Chief experience officer

Source: Aon India's Executive Rewards Survey 2020-21

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