



Board Composition and Remuneration



PREFACE

At the outset, Stakeholders Empowerment Services (SES) would like to say that this massive study on Board Remuneration for Companies in India has been able to see light of the day only because of encouragement, support and guidance of National Stock Exchange (NSE). SES wholeheartedly thank NSE & its team.

This report is culmination of several months effort of SES team which analysed around 5,00,000 data points on various combinations to draw meaningful conclusions.

Board Remuneration

‘Say on Pay’ has been a contentious issue worldwide at all levels, be it government, regulators, investors or social thinkers and policy makers. With information now available at a click of a button, investors are scrutinising directors’ pay more deeply. This issue has assumed higher attention off late, especially due to the pay-cuts and job losses due to the adverse impact of Covid 19 pandemic.

Every stakeholder seeks an answer to the question whether companies are remunerating directors reasonably or their remuneration practices are unfair. While, there is no argument that adequate remuneration has to be paid in order to attract and retain talent who can take the Company towards a more sustainable development, what can be a subject of debate is, what is adequate or reasonable.

Law mandates Nomination and Remuneration Committee (NRC) the job of evaluation and remunerating board member fairly, however most information relating to functioning of NRC is not available in public domain, this Report intends to fill the vacuum by analysing remuneration structure of board as a unit and directors as its constituents on various parameters and its relationship with net profits of the company. Focus has been not only to do an in-depth analysis but also to bring to fore any discrimination or lack of fairness while remunerating various category of directors.

Most often there are talks about gender discrimination, unfair remuneration to promoters or those in control. Our findings render supports to such allegation although it is encouraging to note that there is some improvements.

The study dwells on the remuneration of both Promoter and Non-Promoter, Executive & Non-Executive Directors, Independent Directors in NIFTY 500 companies (except PSUs and PSBs). The study also analyses remuneration practices based on gender and finds that gender bias is still prevailing, *albeit* at reduced levels.

SEBI has on the recommendation of Kotak Committee, regulated remuneration payable to Promoter EDs beyond certain threshold. This had been a matter of concern since many companies appeared to be remunerating its Promoter EDs at a much higher scale, compared to their Non-Promoter counterparts. The Report also analyses remuneration practice from the legal aspect.

End Note

SES hopes that this Report will serve as a compendium for data analysis on board remuneration practices for all readers in general and regulators, company boards and the stakeholders in particular, to understand the trends evolving in compensation to directors. However, SES would like to apologise for length of this Report, which despite our best effort could not be reduced as we refrained from compromising on quality and depth of contents.

I express my sincere gratitude to all NSE team Ms. Priya Subbaraman, Mr. Avishkar Naik, Ms Yukti Sharma and Mr. Lokesh Bhandari. Lastly sincere thanks are due to project leader at SES Mr. Varun Krishnan who had to redo analysis and rewrite the report multiple times in an effort to do better and his pain was shared in equal proportion by Mr. Devashish Lulu who sanitized the voluminous data.



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Study of Nifty 500 Index Companies

Data Period: This study *inter-alia* provides observations and analysis based on data for 3 years of Nifty 500 Index Companies as per NSE data as on December 2020.

Sample constituents & Exclusions: The Report confines analysis to NIFTY 500 companies, however, following **64 Entities** have been left out from our study, although they are part of Nifty 500 Companies for reasons as explained:

➤ **Procter & Gamble Health Ltd:**

Formerly known as Merck Ltd, Procter & Gamble Health Ltd had prepared its financial statement for the period of 15 months ended June 2020, therefore, the Company missed the March 2020 cut off due to change in its financial year, however, it is included in FY 2017-18 & 2018-19 analysis.

➤ **13 PSBs (Click here for List at Annexure A):**

Most of these PSBs are not 'Company' as per the definition under the Companies Act, 2013, therefore, many of the provisions of Companies Act, 2013 do not apply to such PSBs. While analysis could have been done including these PSBs, however non-availability of the Director Identification Number ('DIN') of a large number of directors of PSBs posed a threat to sanctity of data. Therefore, in order to have undistorted data, all entities from the PSB basket have been excluded from the scope of the Report.

➤ **50 PSUs (Click here for List at Annexure A):**

50 PSUs have been excluded from Board Remuneration Report as remuneration practices of PSUs are largely regulated and is vastly different from other sample companies, hence inclusion of PSUs would have distorted analysis.

SAMPLE CLASSIFICATION

For comparison, all Companies have been classified based on their parentage/ promoter and based on their relative standing in various Nifty Indices:

Sample Classification – Ownership

Nifty 500 Index Companies have been classified in following categories:

- **MNCs:** Those operating in Multiple Nations and having their headquarters outside India have been referred to as '**MNCs**' or '**Foreign MNCs**'.
- **Indian Corporate:** Companies incorporated in India and operating from India are referred to as Indian Corporates or '**INCs**'.

Sample Classification – Index Composition:

Nifty 500 Index or Sample Companies have been classified with respect to various Indices of NSE.

- Nifty 50 Index ('Nifty 50')
- Nifty Next 50 Index ('Nifty Next 50' or 'Next 50')
- Nifty Mid Cap Index 150 Companies ('Nifty Mid Cap or Mid Cap')
- Nifty Small Cap Index 250 Companies ('Nifty Small Cap or Small Cap')

Contents

PART – B: BOARD REMUNERATION	Error! Bookmark not defined.
EXECUTIVE SUMMARY	6
Key findings: All data is based on average of sample or relevant index	6
INTRODUCTION.....	8
OBJECTIVE OF THE REPORT	8
SCOPE OF REPORT AND SAMPLE	10
Board Remuneration: Legislation in India.....	12
Board Remuneration vs Net Profit.....	14
Board Remuneration – Ownership wise	16
Board Remuneration Index wise	20
Remuneration Distribution – Category of director.....	27
Remuneration distribution -Index Basis	29
Directors remuneration distribution-Ownership Basis	30
Board remuneration- Profit Making Vs Loss making Companies	32
Total Board Remuneration of Profit making / Loss making Companies	33
Director Remuneration Gender Equality:	35
Executive Remuneration – Gender Equality on Index basis	38
Remuneration-Promoter vs Non-Promoter Directors	43
Executive Directors:	46
Non-Executive (Non-Independent) Directors	46
Remuneration-Promoter Remuneration vs Promoter Shareholding:	47
Remuneration-Promoter Remuneration vs Public Institutional Shareholding	48
Remuneration-Performance based Variable Pay:	49
Remuneration-Variable pay - Promoter vs Non-Promoter:	49
Remuneration – Stock Options:	52
Remuneration-ESOP – Ownership factor analysis	53
Remuneration – Board vs Employee compensation.....	56
Remuneration-Employee Benefit Expense	56
Remuneration- Skewness– Median Remuneration of Employees (MRE)	59
REMUNERATION ANALYSIS – INDIVIDUAL DIRECTOR WISE	60
Remuneration – Executive Directors	60
Remuneration-Executive Remuneration with Net Profits.....	63
Remuneration-Executive Remuneration Vs. Board Remuneration.....	65
Remuneration Skewness – Promoter vs Professional Executive Directors	67
Remuneration-Gender Bias – Variable Pay	72

Remuneration – Promoter Executive	73
Legal Requirement	73
Remuneration-Executive Remuneration & Median Employee’s Remuneration (MRE)	76
REMUNERATION – NON-EXECUTIVE DIRECTOR	77
Remuneration – Non-Executive (basis Net Profits)	78
Remuneration – Non-Executive (INC vs MNC)	79
NED Remuneration – Gender Equality	81
Chairpersons’ Remuneration- Non-Executive (NED-NID(C)) remuneration growth:	83
NED (IDs included) Remuneration – Legal Perspective:	86
REMUNERATION-INDEPENDENT DIRECTORS ANALYSIS	87
Remuneration- Distribution Amongst ID	89
ID Remuneration – Top Earners	90
Remuneration IDs-Gender Equality	91
Remuneration-ID -Ownership distribution	91
Remuneration – Independent Chairperson	92
Remuneration – IDs vs NE-NIDs (Non-Promoters)	92
ANNEXURE I	93
ANNEXURE II	94
Annexure III.....	95
DISCLAIMER.....	96
ABOUT SES	96

EXECUTIVE SUMMARY

The Report of Board remuneration, analyses compensation of boards as a whole, director category wise and individual directors of Sample Nifty 500 Index Companies. The study is based on remuneration data points for 3 financial years (FY 2017-20) to map remuneration trend and patterns across the Sample Companies.

Key findings: All data is based on average of sample or relevant index

Board Remuneration vs Net Profits:

- Overall Board Remuneration to Net Profits has increased from 1.7% to 2.4% in past 6 years.
- Avg. Board remuneration in INCs is 1.5x higher than that of MNCs during past 3 years.
- Amongst indexes, Nifty 50 Companies drew highest Board Rem. (₹ 38 crores) and lowest percentage to Net Profits (0.7% of Net Profits).
- Small Cap Companies drew lowest Board Rem. (₹ 9.3 crores) and highest percentage to Net Profits (6.2% of Net Profits) during FY 2019-20.

Remuneration distribution

- ED remuneration has increased by 40% from ₹ 3.9 crores to ₹ 5.4 crores in past 6 years.
- NE-NID remuneration has risen by 33% from ₹ 24 lacs to ₹ 32 lacs in past 6 years.
- ID remuneration has increased from ₹ 13 lacs to ₹ 18 lacs during the same period.

Remuneration distribution-Gender Equality

- Remuneration of Professional women ED has risen by 225% from 1.9 crores to 4.34 crores in past 6 years.
- Women IDs remuneration has also surged ~2x, from ₹ 7 lacs to ₹ 17 lacs in past 6 years.
- Men NE-NID were paid 3-4x of the remuneration paid to their women counterparts.

Promoter vs Non-Promoter

- Remuneration paid to Promoter ED (₹ 6.1 cr) is 1.3 times higher than their Professional counterparts (₹ 4.7 cr) during FY 2019-20.
- In NE-NID category, Promoter remuneration (₹ 37 lacs) is almost 2x compared to ₹ 19 lacs for Professional NEDs.

Stock Options

- Number of companies having Stock Option plans have increased from 18% to 26% Companies in past 3 years.
- 21.1% of entire ED remuneration in INC was paid through stock Option. The same percentage for MNCs stood at 30.9%.

Employee Compensation

- IT Companies have least Total Board Rem. / Employee Compensation ratio. Construction sector has the highest ratio.
- MNCs has a better pay-scale for employees (MRE = ₹ 10.8 lacs) compared to INCs (MRE = ₹ 6.5 lacs)

Executive Director:

- EDs in INCs receive higher remuneration (₹ 5.6 crores) compared to (₹ 3.8 crores) that of MNCs.
- Women ED remuneration is higher (1.06x) than that of Men EDs in Mid-Caps.
- Women EDP and EDNP is narrowing as EDP remuneration has grown at CAGR of 5% vs EDNP at 25% during past 6 years. Although gap between Male Ed & woman ED remains.

SEBI LODR REGULATIONS & ED Remuneration:

- 175 Promoter EDs (35.8% of total EDPs) received remuneration in excess of ₹ 5 crores during FY 2019-20. 85 of these also exceeded 2.5% of Net Profits.
- 53 Companies having more than 1 EDP, paid more than 5% of Net Profits to their EDPs during FY 2019-20.

Non-Executive Non-Independent Director:

- NE-NID remuneration has remained in the range of ₹ 32 to 35 lacs during past 3 financial years.
- Avg. remuneration of NE-NIDs in INCs is 5-6x higher than their MNCs counterparts.
- Men NE-NID were paid 3-4x of the remuneration paid to their women counterparts.

NE-NID Chairperson

- Remuneration of NE-NID chairperson was ₹ 1.08 crores compared to ₹ 17 lacs for non-Chair NE-NIDs.
- Remuneration of Promoter NE-NID chairperson was 2.6 times that of the Non-Promoter NE-NID chairperson during FY 2019-20.

Independent Directors:

- ID remuneration has remained in the range of ₹ 17 to ₹ 19 lacs during past 3 years.
- 147 IDs (6%) received remuneration in excess of ₹ 50 lacs during FY 2019-20, including 45 IDs who received more than ₹ 1 cr.
- 4 INCs did not pay any remuneration to their IDs during FY 2019-20.

INTRODUCTION

Director's remuneration has always been a matter of intense debate all over the world, especially in developed world, where "say on pay" is an extremely important item for shareholder vote. In countries like India, before financial crisis of 2008, board remuneration was not so much in focus as it is now. Questions over Executive Pay often flare up in times of crisis. The recent pandemic and its resultant impact on the economic activity once again exacerbated this debate, due to the subjectivity involved in determining an ideal remuneration.

With various amendments made to the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('SEBI LODR' or 'SEBI Listing Regulations') the regulators have clearly placed the ball in the court of the shareholders. This is in contrast to the earlier framework where remuneration approval beyond certain thresholds were reserved with the Central Govt.

The remuneration Policy and practice has come under the scanner more so during 2020, due to the Covid 19 outbreak impacting businesses globally. While, mass lay off, employee pay cuts and job losses have hit many households, every stakeholder would want to understand whether similar financial prudence is exercised in terms of directors' remuneration we well at board level.

Investors would be keen to know that if remuneration of directors is in line and reflective of the performance of the Company. Therefore, remuneration of directors must be fair and indicative of not only their own contribution, but also the growth of the Company.

Unlike management and employees, who are evaluated and paid by the company for their contribution. In case of board members, it is self-evaluation and shareholders have no means to find out what is fair exchange ratio, as they are not aware of contribution of Board Members and top management in the Company. While the Law has placed the upper limits on total remuneration as well as maximum remuneration to Executive Director ('ED'), however, it cannot determine individual's fair remuneration. Law has mandated the job to Nominations and Remuneration Committee of the Board, which becomes extremely important link for fair exchange of contribution with remuneration.

This Report is an attempt to analyse trends in remuneration in NSE 500 Index companies as per the list published by National Stock Exchange (NSE) in Dec 2020. The study investigates the relationship between the pay and performance of the Company. The study also tried to analyse the relationship of gender with that of Director's pay, promoters vs. non-promoter pay gap and Board's remuneration vis a vis the total employee remuneration and their trends. While analysing the data for this Study we came across various questions whose answers were not straight forward & not possible to answer in definitive term. In such cases this Report has provided the data to the reader of the Report to draw their own conclusion.

OBJECTIVE OF THE REPORT

Shareholders appoint board of directors to manage company, being managers of the company establishing an agency relationship is created between directors as an agent & Shareholders as the principal of the Company. Managers and Shareholders while having same objective of maximisation of profits are conflicted as managers seek share in the profit for their role as agent.

To avoid adverse impact of agency problem and remove individual bias concept of remuneration policy came into practice and NRC was assigned the responsibility to decide the remuneration. NRC as a matter of principle considers various factors for fixing remuneration; qualification & experience,

Executive vs Non-Executive Role, responsibilities, nature of industry, management level, accountability performance of individual as well as company and financial position.

Conceptually, remuneration must be agnostic to ownership, gender or any relationship. Is it the case? Is India Inc slipping on these counts or improving? All this is subject matter of this study.

This Report analyses remuneration paid to directors and also the Board as whole, of the Nifty 500 Index Companies during the respective 3 FYs. Broad scope of the analysis includes the following parameters

- ❖ Companies-wise Data Analysis
 - Overall Remuneration vis-à-vis Net Profits of the Companies,
 - Remuneration based on Ownership and various Index,
 - Remuneration allocation between EDs, NEDs & IDs.
 - Board remuneration in case of loss-making entities
 - Remuneration based on Gender,
 - Variable and Fixed pay
 - Promoter vs Non-Promoter,
 - Remuneration based on Promoter and Institutional shareholding;
 - Cash and Stock options
 - Remuneration vis-à-vis Employee Benefit Expense;
- ❖ Director-wise Data Analysis
 - Executive Remuneration,
 - Non-Executive Non-Independent Directors (NED),
 - Independent Directors.

Board remuneration for the purpose of study is taken as sum total of all components of remuneration for a particular financial year. It may be noted that the remuneration paid to a director (although ceased later) who was director on the Board for part of the year, is also included in the study.

SCOPE OF REPORT AND SAMPLE

The **Sample** size for this Report is 436 Companies for FY 2019-20, 428 Companies for FY 2018-19 and 417 Companies for FY 2017-18. Change in number of companies from 417 companies in 2017-18 to 436 in 2019-20 is account addition of newly listed companies either due to IPO or OFS or restructuring. List of new listing IPO/Restructuring at [Annexure III](#). PSUs & PSBs have been purposely excluded.

Companies having fiscal year ending other than March have also been included in the basket as depicted in Table 1:

Table: 1 - Sample constituents & year ending distribution					
FY 2017-18 include:		FY 2018-19 include:		FY 2019-20 include:	
417 Companies		428 Companies		436 Companies	
FY ended 31 st March 2018	399	FY ended 31 st March 2019	410	FY ended 31 st March 2020	418
FY ended 31 st Dec 2017	14	FY ended 31 st Dec 2018	15	FY ended 31 st Dec 2019	15
FY ended 30 th Sept 2017	1	FY ended 30 th Sept 2018	1	FY ended 30 th Sept 2019	1
FY ended 30 th June 2017	3	FY ended 30 th June 2018	2	FY ended 30 th June 2019	2

Board Remuneration 2017 Study:

A similar study on Nifty 500 Companies for 3 years (FY 2014-15, 2015-16 & 2016-17) was undertaken in the year 2018, studying Board Remuneration of Nifty Top 500 Companies. Wherever relevant, this Report would also recapitulate the findings of that Report so that 6 years trend could be understood.

The Comparison would not only be important but interesting as well as, earlier data was for the period immediately after coming into effect of Companies Act 2013 and its impact had not fully settled. Further Kotak Committee suggestions were in recommendatory stage. It would in effect measure impact of two important pieces of legislation on Board Remuneration of directors.

While both studies covered 500 top companies, constituents are different as many companies are new entrant, and many have moved down. Present samples also include NIFTY 500 Index companies which also includes some companies not listed in NSE but forming part of top 500 companies market cap wise.

Sample Classification – Ownership

Ownership category wise Sample distribution (2017-18 to 2019-20) is depicted in the Table 2:

Table 2: Sample Distribution based on Ownership for past 3 years						
Ownership basis	2017-18		2018-19		2019-20	
	#	%	#	%	#	%
MNC	46	11.03%	46	10.75%	48	11.01%
Indian Corporate	371	88.97%	382	89.25%	388	88.99%
Total	417	100%	428	100%	436	100%

Indian Corporates comprise of almost ~89% of total Sample Companies, while MNCs form the remaining ~11%.

Sample Classification – Index Composition:

Table 3 provides number of Companies in each Index category in absolute and relative terms.

Table 3: Sample distribution based on Nifty Index						
Category	2017-18		2018-19		2019-20	
	#	%	#	%	#	%
Nifty 50	41	9.83%	41	9.58%	41	9.40%
Nifty Nxt 50	40	9.59%	42	9.81%	42	9.63%
Nifty Mid Cap	123	29.50%	128	29.91%	130	29.82%
Nifty Small Cap	213	51.08%	217	50.70%	223	51.15%
Nifty 500 Index	417	100%	428	100%	436	100%

- Nifty 50 Index and Nifty Next 50 Index comprise of approx. ~10% each.
- Nifty Mid Cap 150 Index constitutes of almost 30% of the total

Sample.

- Nifty Small Cap 250 Index ('NIFTY Small Cap' or 'Small Cap') has the heaviest weight as it comprises of more than 50% of the total Nifty Index 500 Sample Companies.

Proportion of Companies under each Index has remained largely uniform during the past 3 years.

Board Remuneration: Legislation in India

- Companies Act, 2013 ('the Act') – applicable to all corporates
- SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015 ('LODR' or 'SEBI Listing Regulations') for every Listed Entity.
- Sectoral Law as prescribed by Sectoral Regulator such as RBI, IRDAI.

Section 197 of the Companies Act 2013

(1) The total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its manager in respect of any financial year shall not exceed eleven per cent. of the net profits of that company for that financial year computed in the manner laid down in section 198 except that the remuneration of the directors shall not be deducted from the gross profits:

Provided that the company in general meeting may, authorise the payment of remuneration exceeding eleven per cent. of the net profits of the company, subject to the provisions of Schedule V:

In nut shell as per Companies Act, remuneration to a Board of Directors of a Company

- cannot exceed 11% of Net Profits (calculated u/s 198).
- In case the profits are inadequate, then separate approval from shareholders is required to that effect.

Regulation 17(6)(ca) of SEBI LODR (Non-Executive Director Pay):

(ca) The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.

Regulation 17(6)(e) of SEBI LODR (Promoter Executive Director Pay):

“(e) The fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-

(i) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or

(ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:

Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.

Explanation: For the purposes of this clause, net profits shall be calculated as per section 198 of the Companies Act, 2013.”

SEBI LODR

- In Nut Shell- SEBI LODR provides ceilings on remuneration on Promoter EDs and procedure if ceilings are breached.
- And prescribes procedure for a disproportionate distribution to NEDs

The spirit behind SEBI Regulations is to ensure that promoters are not encashing ownership premium without specific approval of shareholders and remuneration is not skewed. In a sense it gives additional “Say on Pay” in listed companies beyond what is prescribed in Act.

Guidelines by RBI

RBI guidance for payment of remuneration to CEOs and Non-Executive chairman of the Banks is at places in contrast with Act and SEBI regulations, e.g. RBI doesn't permit profit linked remuneration and permits Fixed annual remuneration to Part-time chairperson.

And for NEDs (other than Board Chair), remuneration is capped at ₹ 20 lacs. Because of this reason this Report does not specifically include analysis of remuneration paid to Directors of the Banks as a separate section.

Clause 9 of RBI Instruction to Private Banks (Remuneration of NEDs)

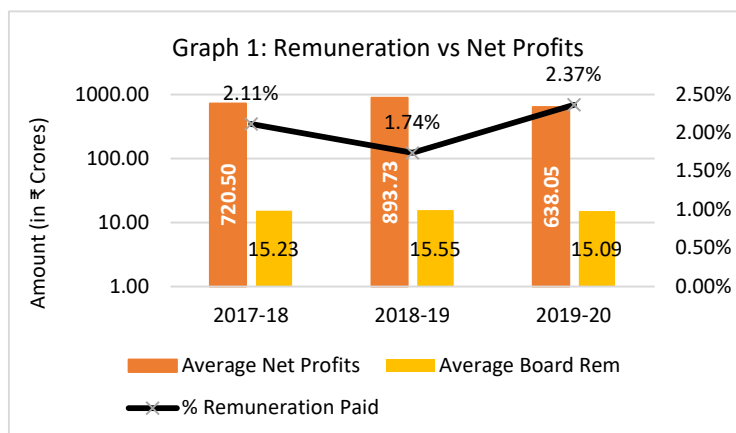
*9. In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the bank may provide for payment of compensation to NEDs in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such **fixed remuneration for an NED, other than the Chair of the board, shall not exceed ₹20 lakh per annum.***

Board Remuneration vs Net Profit

Methodology: In this section average has been calculated based on aggregates. For example, Sample average is calculated by dividing aggregate profit of Sample by number of companies. Similarly, average remuneration is aggregate remuneration divided by number of companies. In the same way % has been calculated on average remuneration divided by average profit.

Graph 1 depicts remuneration of the Board as a percentage of standalone Net Profits.

Note: Remuneration limits fixed by law are based on standalone profits of the entity and not the Consolidated Profits.



Analysis indicates that while average Board remuneration has more or less remained constant at around ₹ 15 Crore in the past 3 years, yet the same as % to total profits has varied widely with a jump of 63 basis point in 2019-20 over 2018-19 (from 1.74% to 2.37%). Does this mean that remuneration is delinked from net profits? SES believes averages are not the best

method to draw a conclusion unless detailed analysis is done and what are the outliers which could have vitiated analysis. Average Profit in 2019-20 took a big hit declining by more than ₹ 255 crore (29%) on average for our sample. Was profit decline uniform or was in pockets? Total profit of Sample dropped from ₹ 3.82 Lac Crore in 2018-19 to ₹ 2.78 lac crore in 2019-20, a decline of ₹ 1.04 lac Crore. Four companies alone (Table 4) contributed to a decline of Rs 1.16 lac Cr, implying that Sample companies (minus 5 companies) still showed a growth of ₹ 32,000 Crores (approx. 8% growth). This implies that as far as data for 2019-20 is concerned, not much impact of COVID Virus pandemic was felt on profits.

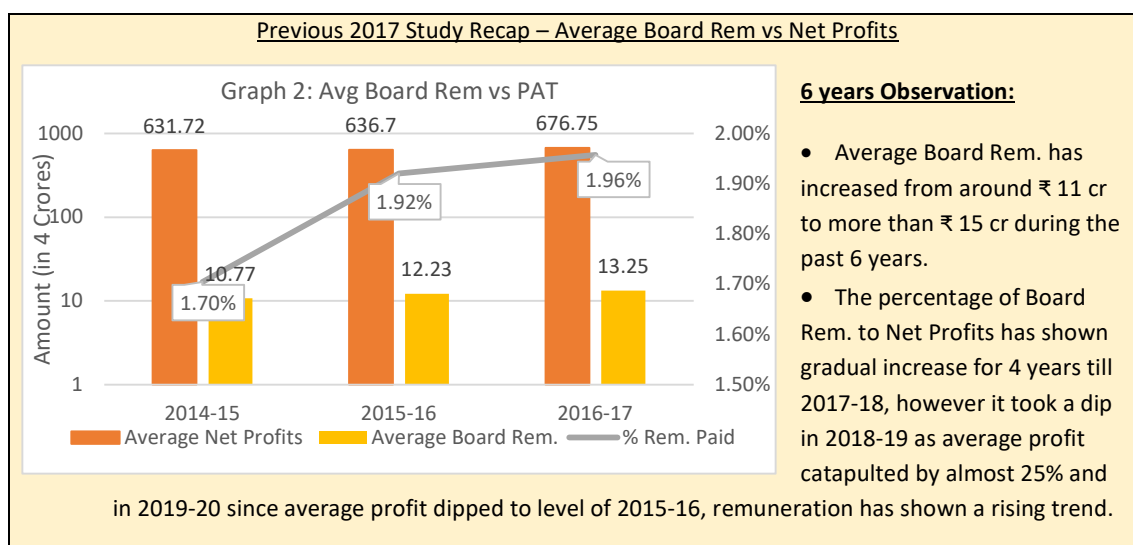


Table 4. Top loss makers in 2019-20				
Company Name	Sector	Index	FY 2018-19	FY 2019-20
			Net Profits (in ₹ crores)	
Vodafone Idea limited	Telecom	Mid Cap	(14,056.00)	(73,131.50)
Bharti Airtel Ltd	Telecom	Nifty 50	(1,829.00)	(36,088.20)
Yes Bank Ltd	Banking	Mid Cap	1,720.27	(16,418.02)
Tata Motors Ltd.	Automobile	Nifty 50	2,020.60	(7,289.63)
Suzlon Energy	Industrial Mfg.	Small Cap	(7,413.33)	(3,276.63)
Total			(19,557.46)	(1,36,203.98)

To get a better and complete picture average remuneration and profits for the past 3 years has been analysed by ignoring outliers (5 top loss makers) Table 5

Table 5: Profit data excluding 5 top loss makers			
(in ₹ Crores)	FY 2017-18	FY 2018-19	FY 2019-20
Number of Companies	412	423	431
Net Profit	3,52,245	4,09,086	4,14,395
Total Board Remuneration	6,297	6,572	6,497
Average Net Profits	855	967	961
Average Board Remuneration	15.28	15.53	15.07
% Remuneration Paid	1.79%	1.61%	1.57%

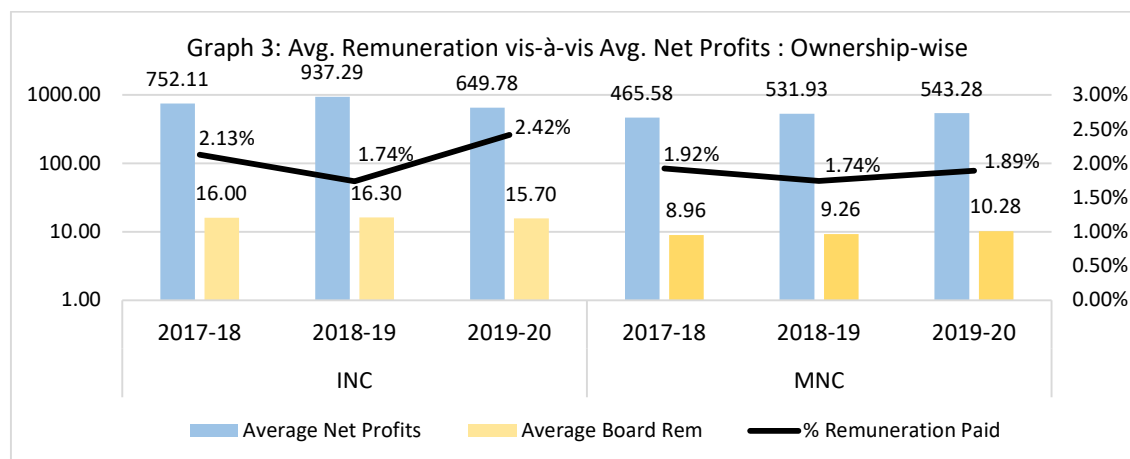
After leaving out Top 5 Loss making Companies for each FY, average Net Profit has shot up for FY 2019-20 from ₹ 640 crores to ₹ 960 crores. Average Profits in FY 2017-18 and FY 2018-19 have also surged, but not as high as that of FY 2019-20, indicating that losses mainly concentrated to Top 5 Companies as already discussed in the previous Table.

As the average Board pay has also come down marginally from ₹ 15.53 Cr to ₹ 15.07 crore (3%) in 2019-20 from previous year, does this mean that many directors voluntarily or under force took a pay cut or reduced variable pay YoY due to decrease in profits? Was this due to prudential measure on account of the outbreak of Covid? Or there are other factors is extremely difficult to say based on aggregate or average data, without a deeper analysis.

Findings: However from the above data it can be concluded that over period of three years average board remuneration hovered in range of ₹ 15 Cr per company or around 2% of average profits.

Board Remuneration – Ownership wise

Graph 3 depicts Average Board remuneration for Indian Corporates and MNCs with respect to the Net Profits earned during past 3 financial years.



Data reveals that

- The profitability in Indian Corporates has fluctuated a lot in past 3 years with highest being ₹ 940 crores per Company and lowest being ₹ 650 crores per Company. A major factor is exceptional loss by 5 companies (Table 4)
- Profits of MNCs have grown steadily over the past 3 years. MNCs have reported a higher profit per Company in FY 2019-20 YoY, unlike their Indian Corporates counterparts.
- Average Board remuneration declined marginally for Indian companies, whereas MNCs have shown increase in average remuneration
- On face it appears that as % to net profit average remuneration in Indian companies has increased substantially, however if top 5 loss making companies for each year are excluded, the picture changes. Board remuneration as a percentage of Net Profits has decreased from 1.61% to 1.57% YoY.
- In absolute terms average board remuneration at MNC (₹ 10.28 Cr) is much lower compared to Indian Companies (₹ 15.70 Cr). In other words Indian companies are paying almost 50% more to their board compared to MNCs
- In % terms, after ignoring top 5 loss makers, Average remuneration for MNC stands at same 1.89% (since none of the Top 5 Loss making were MNCs) compared to revised 1.55% at Indian Inc for FY 2019-20. Table #6

Year-wise / Ownership	FY 2017-18		FY 2018-19		FY 2019-20	
	MNC	INC	MNC	INC	MNC	INC
Number of Companies	46	366	46	377	48	383
Net Profit	21,417	3,30,828	24,468	3,84,617	26,078	3,88,318
Total Board Rem.	412	5,885	426	6,146	493	6,004
Average Net Profits	466	904	532	1,020	543	1,014
Average Board Rem.	8.96	16.08	9.26	16.30	10.28	15.68
% Remuneration Paid	1.92%	1.78%	1.74%	1.60%	1.89%	1.55%

Only 1 MNC in FY 2017-18 & 2018-19 reported loss, while 2 MNCs for FY 2019-20 had a negative bottom line. Therefore, the remuneration percentage for MNCs has remained unaffected. Barring few exceptions, all MNCs have been consistently earning profits.

- Average Board remuneration in absolute terms at INCs has been consistently higher (1.5 times to 1.75 times) compared to that of the MNCs during the past 3 years.
- In relative percentage terms there is not large variance (1-1.28 times) as profits earned by INCs also have been almost 2x of that of their MNC counterparts.

Are promoter dominated Indian companies paying more? Or is it because of size? Or is it because averages hide lots of information? One of the reasons for the difference could be that MNCs generally have a Professional directors at the helm of the affairs be it NED or ED. Further, NEDs in MNCs are generally deputed from their overseas parent Company and in most cases do not draw remuneration, hence impacting average data.

On the other hand, Indian Corporates are not only Promoter Driven with family member as ED but have many family members as NED as well, who draw significant remuneration from the Company. (Please see Graph 11 & Table 61)

Tables 7 to 14 lists Top 5 and Bottom 5 remunerating Companies in Indian Corporates and MNCs, both in relative and absolute terms for FY 2019-20.

Companies with highest & lowest Board remuneration in absolute terms (INC vs MNC)

Table 7: Top 5 INCs				Table 8: Top 5 MNCs			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Sun TV Network Ltd	179.46	1,371.83	13.08%	Hindustan Unilever Ltd	39.05	6,738.00	0.58%
Divis Laboratories Ltd	105.39	1,372.71	7.68%	Bosch Ltd	31.47	649.80	4.84%
Hero MotoCorp Ltd	95.43	3,633.26	2.63%	Godfrey Phillips India Ltd	28.34	387.88	7.31%
Reliance Industries Ltd	90.17	30,903.00	0.29%	Siemens Limited	27.87	1,086.90	2.56%
MRF Ltd	80.29	1,394.98	5.76%	Nestle India Ltd.	27.46	1,969.55	1.39%

TBR: Total Board Remuneration; PAT: Net Profits.

In terms of absolute TBR for FY 2019-20, Sun TV Networks is the highest paying INC with highest TBR. The lowest amongst top 5 Company in INC is MRF paying close to ₹ 80 crores to the Board of Directors. However, this is still 2 times the MNC with the highest TBR.

The above Table clearly depicts the stark difference in the quantum of TBR between INC and MNCs.

Table 9: Bottom 5 INCs				Table 10: Bottom 5 MNCs			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Rajesh Exports Ltd	0.02	403.22	0.01%	Johnson Controls-Hitachi Air Condition India limited	2.08	83.53	2.49%
Aegis Logistics Ltd	0.09	24.69	0.36%	Blue Dart Express limited	2.54	-38.29	-6.63%
Aditya Birla Capital Ltd	0.16	29.85	0.54%	Affle (India) Ltd	2.60	32.89	7.91%
Adani Transmission Ltd.	0.17	5.54	2.98%	Esab India Limited	2.67	71.41	3.74%
Maharashtra Scooters Ltd	0.22	179.94	0.12%	Gillette India Limited	2.80	230.18	1.22%

TBR: Total Board Remuneration; PAT: Net Profits.

In terms of relative TBR to Net Profits percentage, Rajesh Exports top the list with only ₹ 2.4 lacs as TBR forming only 0.004% of its Net Profits. No NED (including IDs) are paid any remuneration in Rajesh Exports. For MNCs, lowest TBR is paid by Johnson Controls-Hitachi Air Condition India Ltd which paid only ₹ 2 crores to their Board members during FY 2019-20.

Companies with highest & Lowest Board remuneration in relative terms (TBR vs PAT) (INC vs MNC)

Table 11: Top 5 INCs				Table 12: Top 5 MNCs			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
EID Parry India Limited	2.04	1.83	111.48%	BASF India limited	10.53	18.51	56.89%
PVR limited	23.93	30.16	79.34%	Glaxosmithkline Pharma Ltd	21.24	110.05	19.30%
Swan Energy Ltd	3.11	4.13	75.30%	JTEKT India	4.41	27.51	16.03%
Godrej Industries Ltd	21.38	30.81	69.38%	Astrazeneca Pharma India limited	7.65	72.21	10.60%
TV18 Broadcast Ltd	7.59	21.76	34.88%	Affle (India) Ltd	2.6	32.89	7.91%

TBR: Total Board Remuneration; PAT: Net Profits.

EID Parry India paid ₹ 2.04 crores as TBR however, it earned only ₹ 1.83 crores as Net Profits during FY 2019-20. Followed by PVR Ltd, which paid ₹ 23.93 crores to their directors which is almost 80% of its Net Profits.

In the MNC category, BASF paid 57% of its Net Profits as TBR, followed by Glaxosmithkline Pharma whose TBR was 20% of its Net Profits for FY 2019-20.

Table 13: Bottom 5 INCs				Table 14: Bottom 5 MNCs			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Rajesh Exports Ltd	0.02	403.22	0.01%	Linde India Limited	3.21	727.18	0.44%
LIC Housing Finance Ltd.	1.10	2,401.84	0.05%	Oracle Financial Services Software Ltd	6.99	1,582.66	0.44%
Gujarat Narmada Valley Fertilizers & Chemicals Ltd	0.31	498.85	0.06%	Hindustan Unilever Limited	39.05	6,738.00	0.58%
Shriram Transport Finance Company Ltd	1.63	2,501.84	0.07%	Cummins India Limited	3.74	629.34	0.59%
Tata Consultancy Services Ltd	32.70	33,260.00	0.10%	Berger Paints India Ltd	5.66	699.05	0.81%

TBR: Total Board Remuneration; PAT: Net Profits.

Again, Rajesh Exports features at the top of the INC list having lowest percentage of Net Profits as TBR for FY 2019-20. Second spot is taken by LIC Housing Finance whose Net Profits stood at around ₹ 2,400 crores with TBR of only ₹ 1.10 crores. LIC Housing Finance is not a pure INC as it has PSU parentage.

In the MNCs category, Linde India is the lowest paying Company when TBR is compared with Net Profits. Less than 0.5% of Net Profits are paid to the Board.

Board Remuneration Index wise

Net Profit vis-à-vis Board remuneration distribution for index constituents (Table 15)

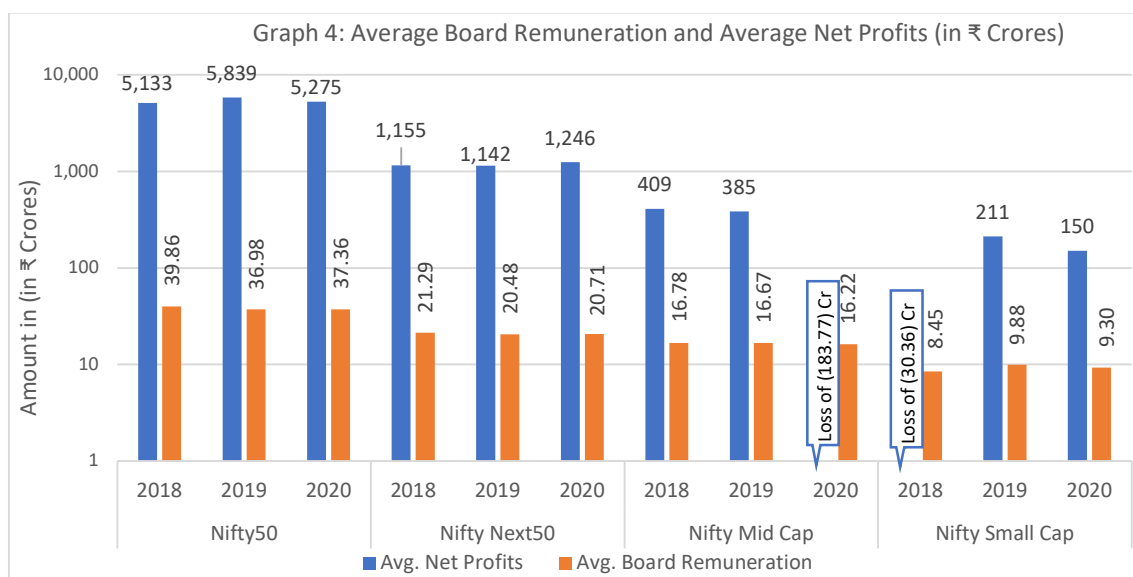
Table 15: Remuneration and Net Profits distribution Index wise – FY 2019-20					
Amount (in ₹ Crores)	Nifty 50	Next 50	Mid Cap	Small Cap	Nifty 500 Index
Number of Companies	41	42	129*	223	435
Net Profits	2,16,288.05	52,338.86	49,988.32	33,454.08	3,52,069.31
Total Board Remuneration	1,531.66	869.84	2,107.02	2,073.99	6,582.51
Avg. Net Profits	5,275.32	1,246.16	387.51	150.02	809.35
Avg. Board Remuneration	37.36	20.71	16.33	9.30	15.13
% Remuneration Paid	0.71%	1.64%	4.22%	6.20%	1.87%

* Vodafone idea which reported a loss of over ₹ 73,000 crores is excluded from analysis.

The data establishes that no one factor can establish any causality relationship. While absolute amount of average remuneration puts Nifty 50 almost 4 times that of NIFTY Small Cap, on the other hand in percentage terms Nifty Small Cap remuneration is almost 9 times that of Nifty 50. This clearly establishes that while remuneration in absolute basis is higher in large cap, on relative basis it is higher in small cap mainly because of two reasons - relatively lower profits for small cap and need to pay some minimum remuneration in small cap

Average Board remuneration is highest in Nifty 50 Companies which is not surprising as size does matter. However, without further company wise analysis it cannot be said positively whether the higher remuneration is universally spread or is in pockets and whether it is because of board size?

Graph 4 has index wise segregation of Net Profits of Nifty 500 index Companies and respective Board remuneration for three year period.



The Graph 4 reveals an amazing consistency:

- Average Board remuneration has moved in very narrow band, e.g. Nifty 50 average remuneration remained in a band of ₹ 37-40 Cr less than 10% width. Similarly width of band in Nifty Next 50 & Nifty Midcap was even less than 5%, Nifty small cap had highest width of around 20%.

- Similarly, the average profits for Nifty 50 and Nifty next 50 Index Companies have also been in a similar narrow range of 15% and 10% respectively.
- Remuneration in Nifty 50 Companies did increase marginally despite decrease in Profits in FY 2019-20 YoY.
- comparison of width of Profit with Remuneration once again indicates that remuneration does not have a very strong causality relationship with profits.
- Board remuneration has remained with a step formation, higher the index category, higher was the remuneration.
- Therefore, it can be said that while it appears that within the index category there may not be strong causality between profits and remuneration, yet in each index category remuneration figures have demonstrated its relative place.

Board Remuneration- Company wise

Methodology: This analysis is different from Global average analysis (as done in Table 15 and Graph 4) as in this analysis, first remuneration was calculated company wise as percentage of Net Profit, thereafter average was worked out Company-wise within a particular Index, to avoid distortion due to outliers.

Table 16 with heat map indicating average of remuneration as % of net Profits of Nifty 500 Index Companies for the past 3 years.

Table 16: Avg. Board Remuneration Percentage			
Nifty indices	2017-18	2018-19	2019-20
Nifty 50	3.26%	1.42%	1.29%
Nifty Next 50	2.74%	2.00%	2.49%
Nifty Mid Cap	5.00%	3.72%	4.28%
Nifty Small Cap	6.56%	5.18%	NA
<i>*Average Standalone Net Loss Reported.</i>			

Average Board remuneration in percentage terms was highest in Small Cap Index Companies in FY 2017-18, which is understandable as Net Profits are generally lower in smaller Companies compared to the larger ones.

Average Board remuneration was lowest in FY 2019-20 in Nifty 50 Companies.

Average data in Nifty 500 index Companies, Top & Bottom companies for each of the indices are at Table 17 to 24.

Nifty 50 index Companies:

Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Divis Laboratories Ltd	105.39	1,372.71	7.68%	IndusInd Bank Ltd	7.91	4,417.91	0.18%
Hero MotoCorp Ltd	95.43	3,633.26	2.63%	HCL Technologies Ltd	10.10	8,969.00	0.11%
Reliance Industries Ltd	90.17	30,903.00	0.29%	Kotak Mahindra Bank Ltd	11.18	5,947.18	0.19%
Larsen & Toubro Ltd	72.49	6,679.21	1.09%	Maruti Suzuki India Ltd	12.39	5,650.60	0.22%
Bajaj Auto Ltd	70.82	5,099.98	1.39%	Bajaj Finserv Ltd	12.60	666.86	1.89%

TBR: Total Board Remuneration; PAT: Net Profits.

Divis Labs leads the list of Company with highest Board remuneration during FY 2019-20, with a Total Board remuneration of over ₹ 100 crores.

On the other hand, list of top 5 lowest Companies with respect to the Board remuneration is led by IndusInd Bank with close to ₹ 8 crores as Board remuneration. 3 of the Top 5 Companies with lowest TBR in Nifty 500 are Banks, probably as remuneration in Banks is regulated by RBI.

Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Divis Laboratories Ltd	105.39	1,372.71	7.68%	Tata Consultancy Services Ltd	32.70	33,260.00	0.10%
Hindalco Industries Ltd	40.73	620.00	6.57%	HCL Technologies Ltd	10.10	8,969.00	0.11%
Shree Cement Ltd	69.41	1,570.18	4.42%	HDFC Bank Ltd	30.59	26,257.32	0.12%
UPL Ltd	17.44	461.00	3.78%	IndusInd Bank Ltd	7.91	4,417.91	0.18%
Hero MotoCorp Ltd	95.43	3,633.26	2.63%	Kotak Mahindra Bank Ltd	11.18	5,947.18	0.19%

TBR: Total Board Remuneration; PAT: Net Profits.

Divis Labs again takes the Top spot in the list of Company with highest TBR vis-à-vis Net Profits in Nifty 50 Index Companies during FY 2019-20. Close to 7.5% of the Net Profits is paid to the Board as remuneration.

On the other hand, list of top 5 lowest Companies with respect TBR vis-à-vis Net Profits is led by TCS mainly due to its huge profits of more than ₹33,000 crores. Again, 3 of the Top 5 Companies with lowest TBR vis-à-vis Net Profits in Nifty 500 are Banks, indicating the role of RBI in regulating remuneration. Top 2 are ID Companies.

Nifty Next 50 index Companies:

Table 19: Companies with highest and lowest Board remuneration – FY 2019-20							
Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Muthoot Finance Ltd	64.36	3,018.30	2.13%	Adani Transmission Ltd	0.17	5.54	2.98%
Cadila Healthcare Ltd	55.14	1,412.90	3.90%	Adani Green Energy Ltd	1.08	134.26	0.80%
DLF Ltd	49.52	2,264.32	2.19%	Indraprastha Gas Ltd	2.67	1,136.54	0.23%
Pidilite Industries Ltd	47.72	1,101.62	4.33%	Interglobe Aviation Ltd	3.26	-248.16	-1.31%
Alkem Laboratories Limited	47.52	1,264.42	3.76%	Bandhan Bank Ltd	3.96	3,023.74	0.13%

TBR: Total Board Remuneration; PAT: Net Profits.

In the Nifty Next 50 space, Muthoot Finance tops the charts with ₹ 64 crores as Board remuneration, while at the lower end of the spectrum, we can see 2 Adani Group Company paying very nominal remuneration at the Board level. Promoters in Adani generally do not draw any remuneration.

Bandhan Bank also features in the last with least TBR to PAT percentage.

Table 20: Companies with highest and lowest Board remuneration vis-à-vis Net Profits – FY 2019-20							
Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Piramal Enterprises Ltd	30.15	144.85	20.81%	Hindustan Zinc Ltd	7.02	6,805.00	0.10%
Havells India Ltd	36.50	733.03	4.98%	Bandhan Bank Ltd	3.96	3,023.74	0.13%
Bosch Ltd	31.47	649.80	4.84%	Petronet LNG Ltd	4.85	2,697.60	0.18%
United Breweries Ltd	20.38	427.23	4.77%	Indraprastha Gas Ltd.	2.67	1,136.54	0.23%
United Spirits Ltd	32.46	704.70	4.61%	Oracle Financial Services Software Ltd	6.99	1,582.66	0.44%

TBR: Total Board Remuneration; PAT: Net Profits.

Piramal Enterprise Ltd, paid to its Board around 21% of their Net Profits as Remuneration during FY 2019-20. Rest all in the Top 5 Companies paid remuneration which is 4-5% of their Net Profits during FY 2019-20.

As far as lowest TBR vs PAT is concerned, Hindustan Zinc paid only 0.1% of its Net Profits to Board members. The list includes 4 INCs and 1 MNCs.

Nifty Mid Cap Index Companies:

Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Sun TV Network Ltd	179.46	1,371.83	13.08%	Rajesh Exports Ltd	0.02	403.22	0.01%
MRF Ltd	80.29	1,394.98	5.76%	Aditya Birla Capital Ltd	0.16	29.85	0.54%
Amara Raja Batteries Ltd	72.90	660.82	11.03%	Cholamandalam Financial Holdings limited	0.65	83.33	0.78%
Alembic Pharmaceuticals Ltd	70.19	969.4	7.24%	Vodafone Idea limited	0.99	-73,131.5	NA
Balkrishna Industries Ltd	56.24	944.98	5.95%	LIC Housing Finance Ltd.	1.10	2,401.84	0.05%

TBR: Total Board Remuneration; PAT: Net Profits.

In the Mid Cap space, SUN TV Networks is the highest TBR paying Company for FY 2019-20. It is not only highest in Mid Cap segment, rather highest amongst entire Nifty 500 Index Companies with the TBR of almost ₹ 180 crores.

At the lower end of the data, Rajesh Exports is the Company paying lowest remuneration to its Board of Directors. Followed by AB capital which does not have any ED on their Board (CEO is not on the Board), as a result lesser Board remuneration.

Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Godrej Industries Ltd	21.38	30.81	69.38%	Rajesh Exports Ltd	0.02	403.22	0.01%
Future Retail Ltd	10.23	33.84	30.23%	LIC Housing Finance Ltd.	1.10	2,401.84	0.05%
Dalmia Bharat Limited	39.95	135.00	29.59%	Shriram Transport Finance Company Ltd	1.63	2,501.84	0.07%
Glaxosmithkline Pharma Ltd	21.24	110.05	19.30%	Shriram City Union Finance Ltd	1.11	1,000.52	0.11%
Relaxo Footwears Ltd	32.30	226.25	14.28%	Tata Chemicals limited	12.24	6,840.22	0.18%

TBR: Total Board Remuneration; PAT: Net Profits.

Godrej Industries Ltd had paid almost 70% of its Net Profits as Board remuneration, which is the highest in Mid Cap segment. On the other hand, again we witness Rajesh Exports with lowest proportion of its Net Profits paid to Board members during FY 2019-20.

Nifty Small Cap Index Companies:

Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
Granules India Ltd	39.67	444.07	8.93%	Aegis Logistics Ltd	0.09	24.69	0.36%
Dilip Buildcon Ltd	36.56	424.98	8.60%	Maharashtra Scooters Ltd	0.22	179.94	0.12%
Ratnamani Metals & Tubes Ltd	36.20	307.5	11.77%	ABB Power Products and Systems India Ltd	0.23	165.39	0.14%
JK Lakshmi Cement Ltd	36.17	235.23	15.38%	Indiabulls Real Estate Ltd.	0.24	-85.36	NA
JK Paper Ltd	34.37	492.71	6.98%	Sun Pharma Advanced Research Company Ltd	0.24	-312.4	NA

TBR: Total Board Remuneration; PAT: Net Profits.

Granules India is the Company with highest Board remuneration in the Small cap segment. Close to ₹ 40 crores was paid to Board of Directors during FY 2019-20.

At the lower end, we have Aegis Logistics paying only nominal ₹ 9 lacs to its Board during FY 2019-20, since EDs did not draw any remuneration from the Company.

Top 5 Companies				Bottom 5 Companies			
Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT	Company Name	TBR (in ₹ Cr.)	PAT (in ₹ Cr.)	% TBR / PAT
EID Parry India Limited	2.04	1.83	111.48%	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	0.31	498.85	0.06%
PVR limited	23.94	30.16	79.38%	Alok Industries	1.48	1,223.19	0.12%
Swan Energy Ltd	3.11	4.13	75.30%	Maharashtra Scooters Ltd	0.22	179.94	0.12%
BASF India limited	10.53	18.51	56.89%	ABB Power Products and Systems India Ltd	0.23	165.39	0.14%
TV18 Broadcast Ltd	7.59	21.76	34.88%	Sterling and Wilson Solar Ltd	0.68	311.44	0.22%

TBR: Total Board Remuneration; PAT: Net Profits.

At the lower end, GNFC (partially Govt entity) has paid just ₹ 31 lacs to its directors during FY 2019-20, followed by Alok Industries where ID as not paid any remuneration.

On the higher end, EID Parry paid the highest TBR vs PAT to its directors, mainly since its profits declined from ₹ 163 crores to just 1.83 crores in FY 2019-20 YoY.

We have seen that as we moved from Nifty 50 to Nifty small cap Companies, the relative percentage of TBR vs PAT has increased as we moved down the ladder towards lower end of the spectrum.

Board remuneration Growth YoY

Table 25 has data on remuneration increase / decrease in 2019-20 over 2018-19.

No. of Companies	Rem Increased	%	Rem Decrease	%
Nifty 50	25	61%	16	39%
Nifty Next 50	25	60%	17	40%
Nifty Mid Cap	79	62%	49	38%
Nifty Small Cap	112	52%	104	48%
Nifty 500 Index	241	56%	186	44%

Board remuneration increased for 241 companies while it decreased for 186 companies.

Only in small cap, higher percent of companies reported remuneration decrease. This indicates that probably small cap suffered more due to pandemic.

Table 26 & 27 provides list of Top & Bottom 5 Companies based on Board remuneration growth in FY 2019-20 vis-à-vis FY 2018-19.

Top 5 Companies (Increase)				Top 5 Companies (Decrease)			
Company Name	TBR 2019	TBR 2020	Difference in TBR YoY	Company name	TBR 2019	TBR 2020	Difference in TBR YoY
Eicher Motors Ltd	13.71	48.50	34.79	HEG Ltd	124.13	6.59	(117.54)
JK Lakshmi Cement Ltd	16.99	36.17	19.18	TCNS Clothing Co. Limited	62.63	3.15	(59.48)
Dalmia Bharat Limited	21.44	39.95	18.51	Larsen & Toubro Ltd	125.44	72.49	(52.95)
PNC Infratech Ltd	7.33	25.09	17.76	Sundram Fasteners limited	44.36	10.53	(33.83)
Mindtree Ltd	10.61	27.08	16.47	JSW Steel Ltd	87.06	56.86	-(30.2)

TBR: Total Board Remuneration (in ₹ Crores)

Eicher Motors witnessed a significant increase in its TBR during FY 2019-20 YoY. It was mainly due to appointment of Mr. Vinod K Dasari on the Board of the Company as ED. He was paid a remuneration of around ₹ 28 crores during FY 2019-20.

In the TBR Decrease category, in HEG in FY 2018-19 Mr. Ravi Jhunjhunwala was paid commission of ₹ 121 crores during FY 2018-19, compared to ₹ 2.4 crores in FY 2019-20.

Larsen & Toubro, Nifty 50 Company is also featuring in the last at 3rd spot. The Company had 6 EDs as on end of FY 2019-20 and remuneration decreased across all EDs YoY.

Remuneration Distribution – Category of director

Although in board matters all board members are equal, yet there are different roles assigned to members. The division is broadly into Executive and Non – Executive role, with further divisions like executive chairman, independent and non independent, promoter and non promoter etc. A granular analysis of remuneration was carried out based on various categories within the board.

Table 27 provide intra-Board aggregate distribution of remuneration between Executive directors (ED), Non-Executive Non-independent Directors (NE-NID) and Independent Directors (ID) in Sample companies. The data reveals amazing consistency.

Nature of Directorships	FY 2017-18			FY 2018-19			FY 2019-20		
	Rem.*	Directors #	Ave.*	Rem.*	Directors #	Ave.*	Rem.*	Directors #	Ave.*
ED	5,398.90	1,020	5.29	5,747.98	1,028	5.59	5,663.80	1,049	5.40
NE-NID	347.84	1,011	0.34	369.06	1,043	0.35	333.55	1,052	0.32
ID	385.77	2,217	0.17	441.11	2,359	0.19	438.65	2,451	0.18
Total	6,132.51	4,248	1.44	6,558.15	4,430	1.48	6,436.00	4,552	1.41

Note: Directors whose designation were changed during the relevant FY have not been included in the Table # to avoid distortion of average values.

*Remuneration & Average in Rs. Crores | Remuneration of Mr. Vineet Nayyar of Tech Mahindra is excluded from the FY 2017-18 since his NED remuneration of ₹ 40 crores was an outlier.

Nature of Directorship	FY 2014-15			FY 2015-16			FY 2016-17		
	Rem.*	Directors	Ave.*	Rem.*	Directors	Ave.	Rem.*	Directors	Ave.*
ED	3,766	964	3.91	4,191	986	4.25	4,881	1,023	4.77
NED-NID	209	873	0.24	285	916	0.31	396	909	0.44
ID	260	2,058	0.13	320	2,141	0.15	355	2,174	0.16
Total	4,235	3,895	1.09	4,796	4,043	1.19	5,632	4,106	1.37

6 years Observation:

- Avg. ED Remuneration has grown from ₹ 3.91 Crores to ₹ 5.40 crores;
- Avg. NED-NID remuneration has grown from ₹ 24 lacs to ₹ 32 lacs.
- Avg. ID remuneration has also grown from mere ₹ 13 lacs to ₹ 18 lacs.

Remuneration across all categories have grown 30-40% during the past 6 years.

Table 28 & 29 depicts 3-year fluctuation in Overall average remuneration in Nifty 500 Index Companies.

Table 29: 3-year High/ Low (in ₹ Crore) (From FY 2017-18 to 2019-20)				
Type	Highest	Lowest	Diff	% (H/L)
ED	5.59	5.29	0.30	106%
NE-NID	0.35	0.32	0.03	109%
ID	0.19	0.17	0.02	112%

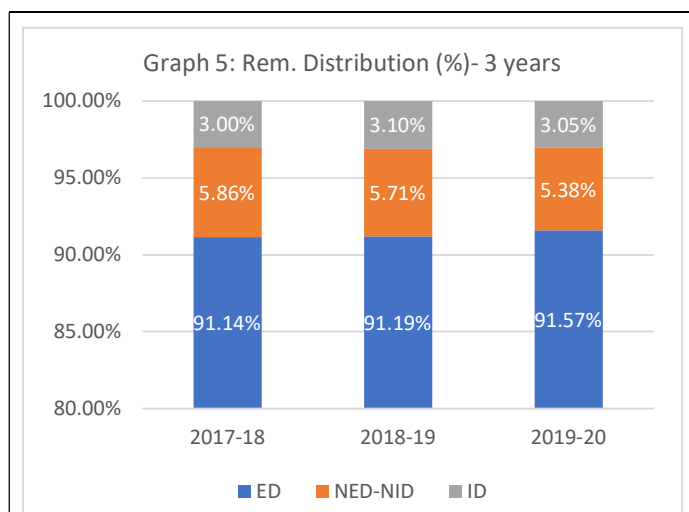
- Remarkable stability in avg. remuneration across all categories of directors in 2017-20 period
- NED NID avg. remuneration fell from ₹ 35 lac to Rs 32 lac.

Previous 2017 Study Recap – High / Low Remuneration Gap (in ₹ Cr)

Table 30: 3-year High/ Low (in ₹ Crore) (From FY 2014-15 to 2016-17)				
Type	Highest	Lowest	Diff	% (H/L)
ED	4.77	3.91	0.86	122%
NE-NID	0.44	0.24	0.20	183%
ID	0.16	0.13	0.03	123%

- Higher growth was seen in NED NID category; during FY 2015 to FY 2017
- ED and ID remuneration both grew by 120% during these 3 years.

Graph 5 depicts data in Table 27 in percentage form, i.e., proportion of remuneration shared between EDs, NE-NIDs and IDs in percentage terms.



Note: Directors whose designation were changed during the relevant FY have not been included in the above Table. | ₹ in crores | Remuneration of Mr. Vineet Nayyar of Tech Mahindra is excluded from the FY 2017-18 since his NED remuneration of ₹ 40 crores was an outlier.

On average 91% of the total Board remuneration is taken by the Executive Directors and the remaining 9% is shared between NE-NIDs and IDs although ED remuneration has increased marginally .

One possible reason for this increase in ED allocation could be because of higher number of loss-making Companies in FY 2019-20.

While, certain amount can be paid to EDs in case of loss, there was no such provision for NE-NIDs and IDs other than sitting fees, as on 31st March, 2020.

Remuneration distribution -Index Basis

Remuneration distribution of FY 2019-20 between ED, NED (NED-NID) and ID based on Indices is depicted in the Table 31.

Category	ED	NED-NID	ID
Nifty 50	11.92	0.56	0.46
Nifty Next 50	6.82	0.25	0.26
Nifty Mid Cap	5.85	0.34	0.16
Nifty Small Cap	3.43	0.26	0.10

In line with observation of average board remuneration tapering off with the index, highest for Nifty 50 and lowest for Nifty Small Cap, category wise average remuneration also follows the same pattern as seen in Table 31.

All category of directors follows this pattern with the sole exception of NED NID category of NIFTY Next 50.

There appear to be two main factors for NED-NID remuneration to be muted in Nifty Next 50 Index Companies as depicted in Table 32 & Table 33.

Index	INC	MNC	MNC %
Nifty 50	39	2	4.88%
Next 50	35	7	16.67%
Mid Cap	107	23	17.69%
Small Cap	207	16	7.17%
Nifty 500	388	48	11.01
<i>MNC %: MNC / (INC + MNC)</i>			

One is the fact, that it houses 17% of MNCs (second highest amongst all Indices), where NEDs generally do not draw any remuneration since they are mainly nominees of Parent Company.

However, one counter argument could that Mid Cap also hosts 18% MNCs, then, how come their NED-NID average is higher than that of Next 50 Index Companies.

For this, another analysis has been undertaken in Table 33, depicting number of NED-NID drawing substantial skewed remuneration impacting overall average of NED-NID remuneration.

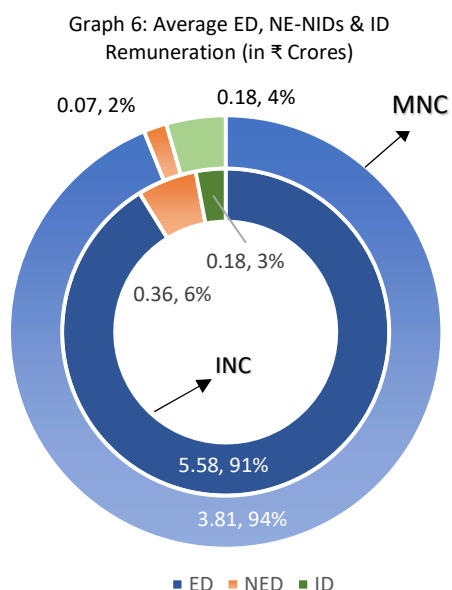
Index	Total #	₹ 1 to ₹ 10 Cr		> ₹ 10 Cr	
		#	%	#	%
Next 50	130	5	3.85%	None	
Mid Cap	315	7	2.22%	2	0.63%

Table 33 depicts that while the number of directors drawing more than ₹ 1 crores are higher in Next 50 (% terms), however, Next 50 does not have any NED-NID taking ₹ 10 crores or more of remuneration.

On the other hand, Mr. Sanjiv Goenka & Mr. Galla Ramachandra Naidu of CESC Ltd & Amara Raja Batteries Ltd, respectively have drawn more than ₹ 60 crores between them during FY 2019-20. Therefore, impacting the overall remuneration average in Nifty Mid Cap Index Companies.

Directors remuneration distribution-Ownership Basis

Graph 6 depicts remuneration allocation between EDs, NE-NIDs and IDs on the basis of ownership.



In percentage terms

- ED in MNCs were paid more than 94% of the total Board remuneration in FY 2019-20, while the same percentage in case of INCs was 91%.
- NEDs in MNC had only 2% share of Board remuneration compared to 6% in INCs
- IDs shared 4% of board remuneration in MNC compared to 3% in INCs

In absolute value

- INC paid Rs. 5.58 Crore to its EDs, whereas MNCs paid only Rs.3.81 Cr to its EDs
- INC paid its NED Rs. 36 Lac, whereas MNC paid almost 1/5th at Rs 7 lacs only
- However, ID remuneration showed secular behaviour at ₹ 18 lacs in both MNCs and INCs.

The difference between MNCs and INCs

remuneration averages primarily appear to be due to the fact that Indian Companies are Promoter driven and Promoter EDs & NEDs take significant remuneration in the form of commission.

Tables 34, 35 & 36 indicates list of Companies during FY 2019-20 which have paid highest percentage of its Board remuneration to EDs, NEDs & IDs.

Company name	TER (in ₹ Cr)	TBR (in ₹ Cr)	TER / TBR
Bharat Rasayan Ltd	22.72	22.72	100.00%
Alok Industries	1.48	1.48	100.00%
Swan Energy Ltd	3.11	3.11	100.00%
Rajesh Exports Ltd	0.02	0.02	100.00%
Sun TV Network Ltd	179.27	179.46	99.89%

TER: Total ED Remuneration; TBR: Total Board Remuneration.

Top 4 Companies did not even pay a single penny to its NEDs (including its IDs). Entire Board remuneration was taken by the Executive Directors. More about these Companies have been discussed in the Independent Director section. (Table 137)

Top 5 Companies where NE-NIDs have drawn highest share of the total Board remuneration during FY 2019-20.

Company name	TNR (in ₹ Cr)	TBR (in ₹ Cr)	TNR / TBR
Inox Leisure Ltd	2.49	2.57	97.04%
CESC limited	35.23	41.02	85.88%
Trident Ltd	22.73	28.03	81.09%
Zensar Technologies Ltd	2.53	3.67	68.83%
Phillips Carbon Black Ltd.	15.87	28.04	56.60%

TNR: Total NED Remuneration; TBR: Total Board Remuneration.

Inox Leisure did not have any ED on the Board during FY 2019-20, therefore, entire remuneration was distributed between NEDs and IDs. In CESC and Trident, Promoter NED had drawn more than 80% of total Board Remuneration. In Phillips Carbon also, Mr. Sanjiv Goenka was paid almost 15.65 crores as commission, which is more than the ED remuneration in the same Company.

Top 5 Companies where IDs have drawn highest share of the total Board remuneration during FY 2019-20.

Table 36: Top 5 Companies with highest ID Rem (%) – FY 2019-20			
Company name	TIR (in ₹ Cr)	TBR (in ₹ Cr)	TIR / TBR
Vodafone Idea limited	0.99	0.99	100.00%
Adani Transmission Ltd.	0.17	0.17	100.00%
Aditya Birla Capital Ltd	0.16	0.16	100.00%
Indiabulls Real Estate Ltd.	0.24	0.24	100.00%
Aegis Logistics Ltd	0.08	0.09	83.43%
<i>TIR: Total ID Remuneration; TBR: Total Board Remuneration.</i>			

Entire Board remuneration was paid to Independent Directors in case of all Companies except Aegis logistics.

In Aegis, NEDs and IDs share the Board remuneration with EDs not drawing any remuneration.

Board remuneration- Profit Making Vs Loss making Companies

Background – Profitability in Sample Companies during past 3 years

Table 37 provides number of Companies that made profits and those incurred losses in our study period. Data has been considered on standalone basis.

Index / Ownership	2017-18				2018-19				2019-20			
	INCs		MNCs		INCs		MNCs		INCs		MNCs	
	Profit Making	Loss Making	Profit Making	Loss Making	Profit Making	Loss Making	Profit Making	Loss Making	Profit Making	Loss Making	Profit Making	Loss Making
Nifty 50	38	1	2	-	38	1	2	-	37	2	2	-
Nifty Next 50	32	1	7	-	33	2	7	-	34	1	7	-
Mid Cap	94	7	22	-	98	8	22	-	100	7	23	-
Small Cap	189	9	14	1	191	11	14	1	187	20	14	2
Nifty 500	353	18	45	1	360	22	45	1	358	30	46	2

The proportion of Companies that have reported losses are higher in Indian Corporates compared to MNCs. Those MNCs which have reported losses are Small Cap Companies, while Indian Corporates making losses are spread cross all 4 indices.

MNC incurring loss in the past 3 financial years is Schneider Electric Infrastructure Ltd, which has reported loss in all 3 years. In addition, Blue Dart Express Ltd also incurred loss in FY 2019-20.

Overall, 32 Companies reported loss in FY 2019-20, while 404 Companies earned profits during the same period.

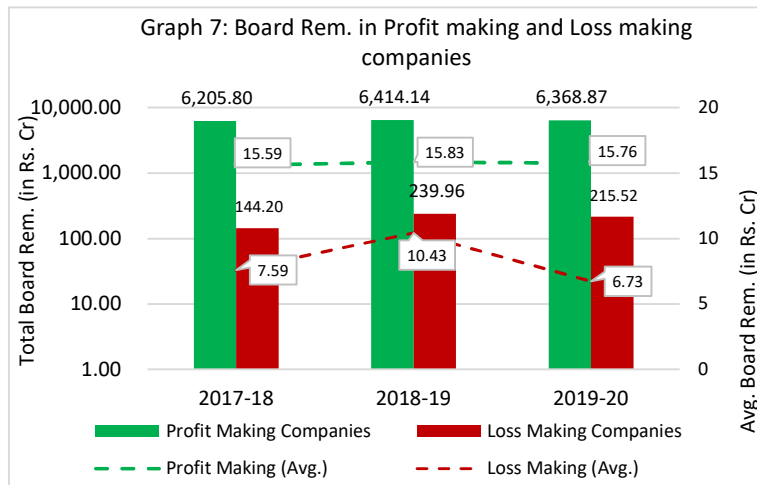
Table 38 captures the standalone profits and loss reported by Nifty 500 Companies during the past 3 years.

Index / Ownership	2017-18				2018-19				2019-20			
	INCs		MNCs		INCs		MNCs		INCs		MNCs	
	Avg. Profit	Avg. Loss	Avg. Profit	Avg. Loss	Avg. Profit	Avg. Loss	Avg. Profit	Avg. Loss	Avg. Profit	Avg. Loss	Avg. Profit	Avg. Loss
Nifty 50	5,396	-1,035	3,231	NA	6,148	-1,869	3,821	NA	6,783	-21,689	4,354	NA
Nifty Next 50	1,274	-25	779	NA	1,304	-451	830	NA	1,374	-248	837	NA
Mid Cap	545	-1,299	367	NA	596	-2,234	399	NA	611	-13,442	395	NA
Small Cap	194	-4,958	106	-65	282	-926	162	-24	213	-441	178	-34
Nifty 500	946	-3,043	477	-65	1,080	-1,401	544	-24	1,114	-4,885	568	-34

Table 36 in the form of a heat map gives a fair view of the Profitability of Nifty 500 index based on both ownership and all 4 index.

In the above section, we compared average profit and loss based on Index an ownership for past 3 years.

Total Board Remuneration of Profit making / Loss making Companies



Graph 7 captures average Board remuneration for profit and loss making Companies.

Except for FY 2018-19, the average of the entire Board remuneration in loss making Companies is less than 50% of that of the Profit Making Companies.

Average Board remuneration for Profit making Companies has been in the range of

around ₹ 15 crores for all Board during the past 3 years. However, in case of loss making Companies, the average has remained in the approx ₹ 7 crores, except for FY 2018-19. Average Board remuneration for loss making Companies during FY 2018-19 has somewhat remained on the higher end.

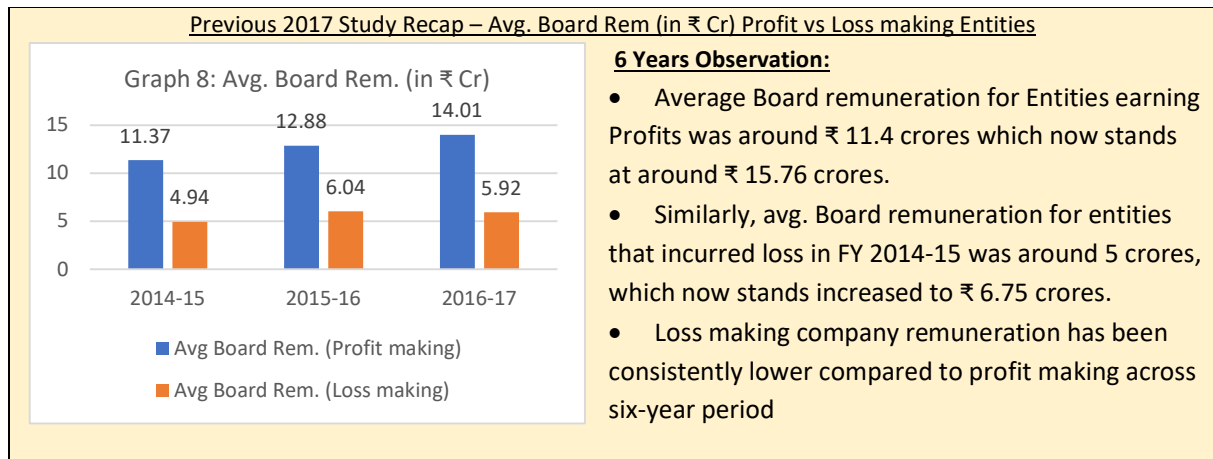


Table 39 has data on remuneration of Promoter and Non-Promoter EDs of loss making companies across index.

Index / Ownership	2017-18		2018-19		2019-20	
	EDP	ED-NP	EDP	ED-NP	EDP	ED-NP
Nifty 50	ND	10.22	31.01	20.91	30.13	13.24
Nifty Next 50	0.00	0.00	5.81	3.49	ND	1.89
Mid Cap	7.18	3.31	5.67	5.24	1.62	4.02
Small Cap	1.44	1.11	2.95	2.59	2.44	2.01
Nifty 500 Index	3.42	2.82	5.16	4.53	3.37	3.83

ND: No EDP in Loss making Company.

• It clearly establishes that promoter supremacy as far as remuneration is concerned is agnostic to loss or profit. Promoters have upper hand or larger share.

• NIFTY 50 Index Companies appear to have the most

skewed remuneration when it comes to payment of remuneration to ED-NPs and EDPs in loss making companies. The gap is widening YoY.

- However there appear to be an exception in Mid Cap category in 2019-20

Table 40 depicts remuneration of EDP and ED-NP in Loss making Mid Cap (7 Companies) in FY 2019-20:

Name of the Companies	EDP		ED-NP	
	No. of directors	Total Rem (in ₹ Cr)	No. of directors	Total Rem (in ₹ Cr)
Aditya Birla Fashion and Retail Ltd	0	-	1	6.94
Bombay Burmah Trading	1	3.23	0	-
GMR Infrastructure Ltd	1	0.00	1	1.37
IDFC FIRST Bank Ltd	0	-	1	8.72
Yes Bank Ltd	0	-	2	5.97
Zydus Wellness Ltd	0	-	1	1.10
Average Rem.		1.62		4.02
*Vodafone Idea did not pay any remuneration to EDs.				

Remuneration in Mid Cap Index Loss Companies depicts that ED-NP drew higher remuneration than their Promoter counterparts.

Average EDP remuneration works out as ₹ 1.62 crores only mainly due to the fact that EDP in GMR did not draw any remuneration.

While the ED-NP remuneration has stood at ₹ 4 crores with 6 ED-NP sharing around ₹ 24 crores between them.

To this extent, these Mid Cap Companies were unique as Avg. Professional ED remuneration was higher than that of their Promoter counterparts.

Table 41 depicts list of highest remunerating companies among the loss making companies during FY 2019-20

Company name	TER (in ₹ Cr)	Net Loss (in ₹ Cr)	Name of the highest paid ED
Bharti Airtel Ltd	49.77	(36,088.20)	^(P) Mr. Sunil Mittal (₹ 30.13 Cr)
Tata Motors Ltd.	20.07	(7,289.63)	Mr. Guenter Karl Butschek (₹ 16.48 Cr)
IDFC FIRST Bank Ltd	8.72	(2,864.21)	Mr. Vaidyanathan Vembu (₹ 8.72 Cr)
Dish TV India Ltd.	8.03	(1,394.09)	Mr. Anil Dua (₹ 4.13 Cr)
Wockhardt Ltd.	7.60	(231.12)	^(P) Mr. Habil Khorakiwala (₹ 2.80 Cr)
TER: Total ED Remuneration (P and NP); (P) – Promoter Family			

3 out of the 5 directors listed in the last column drawing highest remuneration are Non-Promoter directors. And only 2 are Promoter EDs viz., Mr. Sunil Mittal and Mr. Habil Khorakiwala.

Bharti Airtel paid its EDs remuneration of ₹ 50 crores to its Executive Directors out of which ₹ 30 crores was paid to Mr. Sunil Mittal.

Director Remuneration Gender Equality:

While it may sound naive, yet one is forced to ask a question why at all there should be gender inequality in first place and then make sustained efforts to bring equality?

None has an answer, yet gender inequality is real and efforts are being made to bridge the gap is equally real.

This section analyses remuneration data to find whether inequality is narrowing down over a period of time or despite all talks and legislative attempts, we are still trying to keep male dominance intact.

Table 42 has data on Sample companies remuneration of men and women directors category wise for 2017-2020.

Category	FY 2017-18			FY 2018-19			FY 2019-20		
	Male	Female	Ratio	Male	Female	Ratio	Male	Female	Ratio
ED-NP	4.80	3.22	67%	4.76	3.96	83%	4.66	4.34	93%
EDP	5.89	4.74	80%	6.60	4.66	71%	6.26	4.60	73%
NED-NP	0.21	0.11	51%	0.21	0.07	35%	0.20	0.08	42%
NEDP	0.49	0.11	22%	0.49	0.11	22%	0.42	0.13	31%
ID	0.18	0.17	94%	0.19	0.18	95%	0.18	0.17	97%

Note: Directors whose designation were changed during the relevant FY have not been included in the above Table. |

Remuneration of Mr. Vineet Nayyar of Tech Mahindra is excluded from the FY 2017-18 since his NED remuneration of ₹ 40 crores was an outlier.

The data gives rather astonishing results

- On the whole inequality has reduced, yet there are pockets which are worrisome.
- Gender inequality has improved for EDs in case of professional non promoter directors. In case of non promoter women EDs, the remuneration gap which was as high as 33% in 2017-18 has narrowed down to 7% in 2019-20, a remarkable achievement indeed.
- However, in case of Non Promoter women NEDs the gap has rather increased from 49% in 2017-18 to 58% in 2019-20- a retrograde step definitely. A possible reason could be that many have relinquished ED's role and have become NEDs like Mr Naik of L&T.
- In case of Promoter EDs, the position has worsened, the gap has increased from 20% to 27% during the same period. However, story is reverse in case of Promoter women NEDs where the gap has reduced, yet it is highest amongst all categories.
- Women promoter directors appear to be most discriminated. What could be the reason? Are women promoter directors not appointed based on merit and suitability? If, yes, then NRC failed the shareholders, if they are appointed based on merit, the NRC failed these directors.
- As far as IDs are concerned equality was highest three years back and remains high with negligible gap.

Previous 2017 Study Recap – Remuneration based on Gender Equality (in ₹ Cr)

Table 43: Average pay (in ₹ cr)									
Category	FY 2014-15			FY 2015-16			FY 2016-17		
	Male	Female	Ratio	Male	Female	Ratio	Male	Female	Ratio
ED – NP	3.54	1.91	54%	3.54	2.47	70%	4.28	2.83	66%
ED - P	4.34	3.37	78%	4.94	3.95	80%	5.33	4.24	79%
NED - NP	0.13	0.04	36%	0.12	0.07	61%	0.16	0.05	33%
NED - P	0.34	0.16	46%	0.49	0.16	33%	0.57	0.11	19%
IDs	0.13	0.09	70%	0.15	0.13	88%	0.17	0.15	90%

6 years Observation:

- Women ED-NP remuneration was only 54% of their men counterparts 6 years back. Now, this gap has almost closed in to 94% as on FY 2019-20.
- Remuneration of women Promoter EDs has been around 70-80% of their Men EDPs.
- In case of NEDs, the gap has closed in marginally, however, still biggest gap lies in this section now also.
- Women IDs remuneration was 70% of men ID 6 years back. This gap has also closed in to 97%. This again is remarkable.

On overall basis, gap has is reducing with time.

Once again above analysis is based on averages, which conveniently hide granular data. However, one reason for gap could be due to the difference in age of men and women. Findings of Board Composition Report, indicates that the average age of women director is around 5 years less than that of men director. However, can such age difference explain and account for the difference?

Please see analysis for Executive remuneration Gap – [click here](#) and for Non-Executive remuneration gap – [click here](#).

Tables 44 depicts Top 3 Companies with most difference in **average remuneration** between men and women directors for ED category. Both in favour of men as well as for women.

Non-Promoter Executive Directors.

Table 44: Average ED-NP Remuneration Gap (Men vs Women) – FY 2019-20							
Pay (in ₹ Crores) in favour of Men				Pay (in ₹ Crores) in favour of Women			
Company	ED Men	ED Women	Pay Gap	Company	ED Men	ED Women	Pay Gap
Glaxosmithkline Pharma Ltd	7.81	4.33	3.48	Housing Development Finance Corporation Ltd	12.66	13.88	1.22
Castrol India Limited	4.28	2.00	2.28	HDFC Life Insurance Company Ltd	5.10	5.65	0.55
Federal Bank limited	2.00	1.09	0.91	Only 2 Companies where Women ED-NP Pay is higher			

Promoter Executive Directors.

Table 45: Average EDP Remuneration Gap (Men vs Women) – FY 2019-20									
Pay (in ₹ Crores) in favour of Men					Pay (in ₹ Crores) in favour of Women				
Company	ED M	ED W	Pay Gap	W/M	Company	ED M	ED W	Pay Gap	W/M
Sun TV Network Ltd [#]	87.5	44.36	43.14	51%	Lupin Ltd	5.97	12.83	6.86	215%
Divis Laboratories Ltd	23.9	5.03	18.87	21%	JK Lakshmi Cement Ltd	11.6	14.79	3.19	128%
Dilip Buildcon Ltd	17	2	15	12%	Metropolis Healthcare Limited	1.8	4.91	3.11	273%

[#]Sun TV data does not reveal the true picture. Women ED average remuneration at ₹ 44.36 Crores is impacted due to ₹ 1.22 cr paid to daughter of Promotor couple, who is newly inducted on the Board. If one excludes her remuneration, then, there is no gap in the ED Men vs ED women remuneration as both have drawn ₹ 87.5 crores.

Data reveals that while on one hand there is gender inequality between Men & Women, reverse is also true. And surprisingly skewness is more pronounced.

Executive Remuneration – Gender Equality on Index basis

Table 46 depicts the difference in average remuneration for women directors vis-à-vis their men counterparts for a period of 3 years for Nifty indices.

Non-Promoter Executive Directors

Average Rem	2017-18			2018-19			2019-20		
	M	W	W/M	M	W	W/M	M	W	W/M
Nifty 50	10.53	6.25	59%	9.80	7.53	77%	10.28	9.71	94%
Nifty Next 50	7.39	-		7.24	-		6.89	-	
Nifty Mid Cap	4.50	1.86	41%	3.97	2.06	52%	3.89	3.25	84%
Nifty Small Cap	2.20	0.90	41%	2.79	0.69	25%	2.53	0.43	17%
Nifty 500 Index	4.8	3.22	67%	4.76	3.96	83%	4.67	4.34	93%

Foremost thing to be kept in mind while reading the data in Table 46 is that only 10 Women ED-NPs are competing against 491 Men ED-NPs, therefore, a weight of single women ED-NPs remuneration is 10% in Nifty 500 Index, compared to 0.20% in case of Men ED-NPs.

- Gender ED-NP pay gap is reducing in Nifty 50 index Companies. The gap has decreased from 41% to only 6% in last 3 years.
- Similar improvement could be seen in the Mid Cap segment as well where the gap has reduced from 59% to just 16%.
- There are only 6 women EDs in Next 50 category, all are Promoter EDs.
- Data for the small Cap is not encouraging. Gender gap has widened during the past 3 years, however, there are only three women ED-NP in small cap.

Table 47 provides List of women ED-NP in Small Cap Companies for FY 2019-20.

Name (Years on the Board)	Company Name	Rem (in ₹ Cr)
Preeti Mohanty (1)	Ingersoll-Rand (India) Ltd	0.58
Darshana Pandya (4)	MAS Financial Services Ltd	0.33
Rachana Hingarajia (5)	Sunteck Realty Ltd	0.40
Total ED-NP Rem.		1.30

Aggregate women ED-NP remuneration in Small cap is only ₹ 1.30 crores which is lower than average remuneration drawn by Men ED-NP (₹ 2.53 Cr).

However, their Board association is also on the lower side indicating that they

have recently joined Board of the respective Companies.

Promoter Executive Directors

Average Rem	2017-18			2018-19			2019-20		
	M	W	W/M	M	W	W/M	M	W	W/M
Nifty 50	14.23	3.1	22%	17.6	3.55	20%	16.36	5.89	36%
Nifty Next 50	7.1	5.95	84%	6.59	3.32	50%	6.91	5.40	78%
Nifty Mid Cap	7.4	7.4	100%	7.84	7.96	102%	8	6.79	85%
Nifty Small Cap	3.98	2.65	67%	4.71	2.65	56%	4.18	2.92	70%
Nifty 500 Index	5.89	4.74	80%	6.6	4.66	71%	6.26	4.6	73%

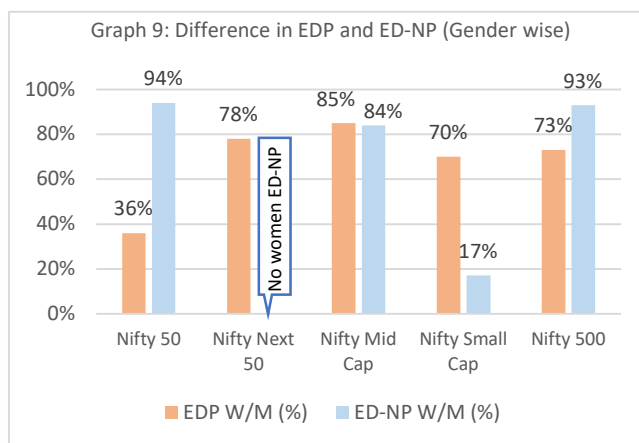
Unlike in case of women ED-NP (Table 46) where we had only handful of women ED-NP, there were 63 women EDPs in Nifty 500 Index Companies as on FY 2019-20.

- Highest inequality is seen in NIFTY 50 category, which has marginally improved in 2019-20 yet it is lowest amongst all index category. And it is total contrast to ED NP category (Table 46) where it was seen that inequality was lowest.

Name (Years on the Board)	Company Name	Rem (in ₹ Cr)
Samina Hamied (5)	Cipla Ltd	6.74
Motaparti Nilima (3)	Divis Labs Ltd	5.03
Total EDP Rem.		5.89

- This is mainly due to the comparatively younger & inexperienced women EDPs on the Board.
- Both are Pharma Companies having women EDPs on the Board.
- Thus, establishing fact that at top companies, while gender equality is closing the gap, in promoter dominated category gap is still huge.
- Nifty Mid Cap appears to be an outlier with no gender inequality till 2018-19 and least in 2019-20.
- This absence of inequality in NIFTY Mid Cap is a misnomer as average has hidden an outlier ₹ 85+ crores drawn by Mrs. Kavery Kalanithi of Sun TV Networks in all the above 3 years. Why it is an outlier is crystal clear as second highest remuneration of women EDP in Mid Cap for FY 2019-20 is drawn by Ms. Tanya Dubash drawing around 6.3 crores. Gap of Rs 79 Crores or almost 14 times.
- If one excludes her remuneration for FY 2019-20 (assuming to be an outlier), avg. Mid Cap women EDP Rem. falls to ₹ 2.95 Crores from ₹ 6.80 cr. And W/M (%) falls to 38% from 85%.

Graph 9 depicts comparative analysis between ED-NP remuneration and EDP remuneration as a percentage of their respective Men counterparts.



- In Nifty 50, in NP category Women ED enjoy remuneration almost equivalent to their Men counterparts. However, in promoter category the gap is quite huge (64%).
- Is it due to the inexperience of women EDPs, who have recently joined the Board?
- The Mid Cap EDP section is influenced by remuneration of Ms. Kavery Kalanithi as already discussed above.
- In the Small cap segment, there were only 3 ED-NPs, all drawing less than ₹ 60 lacs. Mainly due to relatively lesser experience. However, in EDP segment there were 33 EDPs with 21 of them drawing remuneration over ₹ 1 crores per annum.

Table 50 contains list of Top 5 Companies women remuneration in absolute terms

Table 50: Top 5 Board with highest remuneration (in ₹ Cr) to women director.					
Company name	Nifty Index	Women Rem.	Men Rem.	Women Rem / Men Rem.	Name of Highest paid women director
Sun TV Network Ltd	Mid Cap	88.73	90.73	97.80%	<i>Kavery Kalanithi (EDP) (87.50 Cr.)</i>
Apollo Hospitals Enterprise Ltd	Mid Cap	19.18	12.98	147.72%	<i>Sangita Reddy, Suneeta Reddy, Preetha Reddy, Shobana Kamineni - (4.74 Cr.) All EDP</i>
Granules India Ltd	Small Cap	16.50	23.16	71.23%	<i>Umadevi Chigurupati (EDP) (16.45 Cr.)</i>
JK Lakshmi Cement Ltd	Small Cap	14.91	21.26	70.13%	<i>Vinita Singhania (EDP) (14.79 Cr.)</i>
Housing Development Finance Corporation Ltd	Nifty 50	14.39	30.35	47.42%	<i>Renu Sud Karnad (ED) (13.88 Cr.)</i>

Table 51 depicts list of Top 5 Companies where remuneration to women directors vis-à-vis Total board remuneration is highest amongst Nifty 500 Companies in FY 2019-20.

Table 51: Women ED Dominated Board (in terms of % to Total Board Rem.)					
Company name	Nifty Index	Women Rem. (in ₹ Cr)	Total Board Rem.	% of Women Rem. To Total Board Rem	Name of Highest paid women director
Heritage Foods Ltd	Small Cap	7.22	7.41	97%	<i>Bhuvaneswari Nara (EDP) (3.99 Cr.)</i>
CRISIL Ltd	Mid Cap	6.34	7.15	89%	<i>Ashu Suyash (ED) (5.59 Cr.)</i>
Sundram Fasteners Ltd	Mid Cap	7.48	10.53	71%	<i>Arundathi Krishna (EDP) (3.88 Cr.)</i>
Metropolis Healthcare Ltd	Mid Cap	4.91	7.27	68%	<i>Ameera Sushil Shah (EDP) (4.91 Cr.)</i>
Apollo Hospitals Enterprise Ltd	Mid Cap	19.18	32.17	60%	<i>Sangita Reddy, Suneeta Reddy, Preetha Reddy, Shobana Kamineni - (4.74 Cr.) All EDP</i>

Women director remuneration in both the above table is predominantly due to the remuneration paid to women ED in the above Companies.

Women in Non-Executive Positions:

Top 5 Companies paying highest remuneration to women NE-NID (absolute terms) for FY 2019-20 is depicted in Table 52:

Table 52: Top 5 Companies where NED(W) NID drew highest remuneration (in ₹ Cr)						
Company name	Ownership	Index	Total NED(W)	Total NED(M)	NED (W) / NED (M)	Name of highest paid NED(W) Director
Grasim Industries Ltd	INC	Nifty 50	1.29	0.11	1,172.73%	<i>Rajshree Birla (1.20 cr)</i>
UltraTech Cement Ltd	INC	Nifty 50	1.24	0.04	3,100.00%	<i>Rajshree Birla (1.24 Cr.)</i>
Reliance Industries Ltd	INC	Nifty 50	1.22	0.66	184.85%	<i>Nita Ambani (1.22cr)</i>
Hindalco Industries Ltd	INC	Nifty 50	1.11	0.37	300.00%	<i>Rajshree Birla (1.11 Cr.)</i>
Gillette India Limited	MNC	Mid Cap	0.80	0.14	571.43%	<i>Sonali Dhawan (0.80 cr)</i>

Top 5 Companies paying highest remuneration to women NED vis-à-vis Board remuneration for FY 2019-20 is depicted in Table 53 hereinbelow:

Table 53: Top 5 Companies where NED(W) NID vs TBR is highest (in ₹ Cr)						
Company name	Ownership	Index	NED(W) Rem	NED(M) Rem	NED (W) Rem. / TBR.	Name of highest paid NED(W) Director
Gillette India Limited	MNC	Mid Cap	0.80	0.14	28.73%	Sonali Dhawan (0.80 cr)
Westlife Development Ltd	INC	Small Cap	0.05	0.03	13.24%	Smita Jatia (0.05 Cr.)
Grasim Industries Ltd	INC	Nifty 50	1.29	0.11	9.08%	Rajshree Birla (1.20 cr)
Network 18 Media & Inv. Ltd	INC	Small Cap	0.05	0.16	7.81%	Jyoti Deshpande (0.05 Cr.)
HCL Technologies Ltd	INC	Nifty 50	0.76	0.22	7.52%	Roshni Malhotra (0.76 Cr)

Remuneration is in ₹ Crores; TBR: Total Board Remuneration.

Top 5 Companies paying highest remuneration to women ID (absolute terms) for FY 2019-20 is depicted in Table 54 hereinbelow:

Table 54: Top 5 Companies where aggregate ID(W) is highest (in ₹ Cr)						
Company name	Ownership	Index	Total ID(W) Rem.	Total ID(M) Rem.	% of ID(W) / ID(M)	Name of highest paid ID(W) Director
Infosys Ltd	INC	Nifty50	3.86	2.49	155.02%	Punita Kumar Sinha (1.74 cr.)
Dr. Reddy's Laboratories Ltd	INC	Nifty50	2.27	6.25	36.32%	Shikha Sharma (1.14 cr)
Tech Mahindra Ltd	INC	Nifty50	2.14	0.49	436.73%	Mukti Khaire (0.92 Cr.)
HCL Technologies Ltd	INC	Nifty50	1.94	6.08	31.91%	Robin Ann Abrams (1.29 Cr.)
Wipro Ltd.	INC	Nifty50	1.90	4.57	41.58%	Ireena Vittal (1.01 Cr.),

Top 5 Companies paying highest remuneration to women ID vis-à-vis Board remuneration for FY 2019-20 is depicted in Table 55 hereinbelow:

Table 55: Top 5 Companies where ID(W) vs TBR is highest (in ₹ Cr)						
Company name	Ownership	Index	ID(W) Rem	TBR	ID (W) Rem. / TBR	Name of highest paid ID(W) Director
Adani Transmission Ltd.	INC	Next50	0.05	0.17	30.30%	Meera Shankar (0.05 Cr.)
Indiabulls Real Estate Ltd.	INC	Small Cap	0.06	0.24	25.00%	Gyan Sudha Misra (0.06 Cr.)
Sun Pharma Advanced Research Company Ltd	INC	Small Cap	0.06	0.24	25.00%	Bhavna Doshi (0.06 Cr.)
Aditya Birla Capital Limited	INC	Mid Cap	0.04	0.16	25.00%	Vijayalakshmi Iyer (0.04 Cr.)
Rain Industries Limited	INC	Small Cap	0.30	1.20	24.67%	Nirmala Reddy (0.16 Cr.),

Remuneration is in ₹ Crores; TBR: Total Board Remuneration.

Table 56 presents a List of Top 5 Companies paying highest remuneration to women Directors' category in FY 2019-20 also featuring in past 3 years.

Table 56: List of Companies with highest aggregate remuneration to women Directors across 3 years					
Sr. No.	Company	Highest paid women director (2020)	2019-20	2018-19	2017-18
1	Sun TV Network Ltd	Kavery Kalanithi	Yes	Yes	Yes
2	Apollo Hospitals Enterprise Ltd	Reddy sisters*	Yes	Yes	Yes
3	Granules India Ltd	Umadevi Chigurupati	Yes	No	No
4	JK Lakshmi Cement Ltd	Vinita Singhania	Yes	No	No
5	Housing Development Finance Corporation Ltd	Renu Sud Karnad	Yes	No	No
*Sangita Reddy, Shobana Kamineni, Suneeta Reddy, Preetha Reddy, all were paid remuneration of ₹ 4.74 crores each in FY 2019-20					

Sun TV Networks, tops the list with highest remuneration paid to women directors. Followed by Apollo Hospitals where has 4 women EDPs. Remaining 3 Companies featured in Top 5 list for the first time in past 3 years.

Remuneration-Promoter vs Non-Promoter Directors

World over 'Say on Pay' has attracted attention and is a major talked about issue in corporate governance. In jurisdiction like USA, UK ,EU and many other countries, 'Say of Pay' assumes importance due to 'Agency Issues' as maangement is in hands of professionals who are mostly different from dominant shareholder and act as Agent of shareholders to manage. And many a times remuneration may be completely detached from performance.

In jurisdictions like India, the problem gets compounded by the fact that most Indian listed companies are having a family as promoter and management control lies with the family. As a result not only dominant shareholder acts as agent of minority/ public shareholder, it becomes an interested party and has inherent conflict of interest especially related to compensation. The study has analysed this aspect in detail.

Almost 90% of the Nifty 500 Companies comprise of Indian family owned corporates, therefore, analysis of remuneration practice based on promoter control is vital to get clear picture.

Table # depicts average Board remuneration vis-à-vis Standalone Net profits for past 3 years based on both ownership and Indices.

Index / Ownership	Average Board rem. (in ₹ Crores)						Percentage to Net Profits (only profit making)					
	2017-18		2018-19		2019-20		2017-18		2018-19		2019-20	
	INC	MNC	INC	MNC	INC	MNC	INC	MNC	INC	MNC	INC	MNC
Nifty 50	40.44	28.48	37.36	29.68	37.57	33.26	3.53%	1.17%	1.55%	0.97%	1.39%	0.99%
Nifty Next 50	22.84	13.97	21.87	13.51	21.69	15.84	3.04%	1.83%	2.33%	1.75%	2.70%	2.09%
Nifty Mid Cap	18.72	7.91	18.46	8.03	17.67	9.47	6.30%	2.98%	4.83%	2.46%	5.09%	3.51%
Nifty Small Cap	8.67	5.56	10.14	6.35	9.54	6.14	7.12%	6.44%	7.67%	6.67%	7.92%	8.69%

Table 57 clearly establishes that ownership does play a role in remuneration practice as across all indices and across three years family owned companies are paying higher remuneration, although on face of it, the gap is reducing.

In both categories remuneration as percentage of profits is increasing as we move towards smaller companies and the same is expected as for smaller companies profits are much lower and some minimum remuneration needs to be Paid.

Table 58 in the form of heat map is provided hereinbelow to differentiate between average Executive Director NP remuneration vs. Executive Director Promoters category.

Table 58: Average ED remuneration difference between Promoter and Non-Promoters												
Index / Ownership	2017-18				2018-19				2019-20			
	INC		MNC		INC		MNC		INC		MNC	
Amount (in ₹ Cr)	EDP	ED-NP	EDP	ED-NP	EDP	ED-NP	EDP	ED-NP	EDP	ED-NP	EDP	ED-NP
Nifty 50	13.58	10.83	NA	6.02	16.72	9.81	NA	8.06	15.75	10.53	NA	7.97
Nifty Next 50	7.29	7.38	2.24	7.43	6.39	7.55	2.86	6.07	6.97	7.25	2.95	5.71
Nifty Mid Cap	7.65	4.89	3.97	2.83	8.02	4.20	4.61	3.03	8.16	3.87	3.35	3.90
Nifty Small Cap	3.88	2.22	2.65	1.97	4.50	2.83	4.19	2.14	4.08	2.58	2.97	1.94
Nifty 500 Index	5.87	4.99	3.25	3.60	6.45	4.93	4.16	3.72	6.21	4.79	3.14	4.05

Data from Table 58 suggests that:

- Remuneration of ED-NPs is directly related to the size of the Company. As we move from top to the lower end of the spectrum, remuneration of ED NPs reduce. This trend is witnessed both in INC and MNCs.
- Interestingly, EDPs in Mid Caps have drawn higher remuneration than that of the Next 50 index Companies. Further analysis to see the actual data is revealed in Table 59.
- Remuneration paid to Promoter EDs have remained higher through INCs in all Index except for Next 50, where ED NPs have been paid more remuneration compared to their Promoter counterparts.
- On an overall basis in Nifty 500 Index Companies in INC category, Promoter EDs are paid higher remuneration than their Non-Promoter counterparts.
- However, in case of MNC in overall Nifty 500, ED-NPs were paid higher than EDP in FY 2019-20. Also, the gap between EDP and ED-NP has not been much in previous 2 years.

EDP Remuneration (Mid vs Next 50)

Data in Table 59 suggests that Mid Index Companies is packed with heavy remunerating EDPs when compared with that of Next 50 Index Companies.

Table 59: Skewness EDP Rem (Next 50 vs Mid Cap) – FY 2019-20				
EDP Rem (in ₹ Crores)	Next 50		Mid Cap	
	#	%	#	%
less than 1	7	16%	19	12%
1 to 5	16	36%	72	46%
5 to 10	10	22%	29	18%
10 to 25	12	27%	29	18%
25 to 50	0	0%	6	4%
50 & above	0	0%	2	1%
Total	45	100%	157	100%

- 5% of EDPs in Mid Cap are drawing remuneration over ₹ 25 Crores, compared to none in case of Next 50.
- SUN TV Network where 2 Promoters EDs have shared between themselves ₹ 175 crores, is part of Mid Cap Index.
- 16% EDP draw remuneration less than ₹ 1 crores in Next 50 compared to 12% in Mid Caps.

ED Remuneration – Highest Remunerating Companies

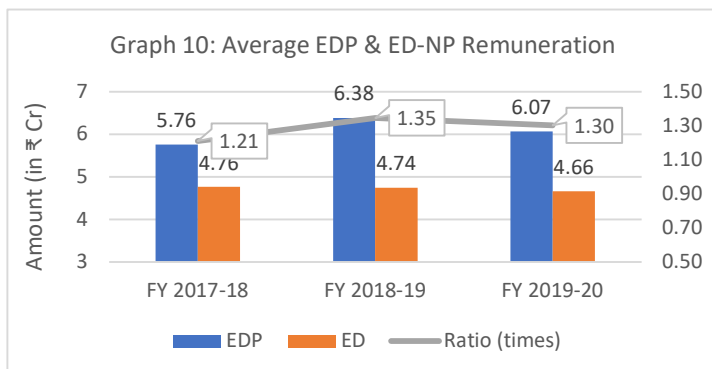
Top 10 Nifty 500 index Companies paying highest remuneration (Avg.) to Executive Directors (ED vs EDP) are shown in Tables 60.

Professional Executive Director Rem (in ₹ Cr)				Promoter Executive Director Rem (in ₹ Cr)			
Company Name	Index	Average ED Rem	No of EDs	Company Name	Index	Average EDP Rem	No of EDPs
Wipro Ltd.	Nifty 50	32.28	1	Hero MotoCorp Ltd	Nifty 50	84.59	1
Bajaj Finance Ltd	Nifty 50	30.61	1	Sun TV Network Ltd	Mid Cap	58.74	3
Tech Mahindra Ltd	Nifty 50	28.71	1	Bajaj Auto Ltd	Nifty 50	51.46	1
Eicher Motors Ltd	Nifty 50	28.35	1	Amara Raja Batteries Ltd	Mid Cap	45.43	1
Cadila Healthcare Ltd	Next 50	27.89	1	The Ramco Cements Ltd	Mid Cap	41.01	1
Divis Laboratories Ltd	Nifty 50	26.91	1	JSW Steel Ltd	Nifty 50	40.03	1
Infosys Ltd	Nifty 50	22.44	2	Shree Cement Ltd	Nifty 50	31.26	2
Asian Paints Ltd	Nifty 50	20.77	1	Bharti Airtel Ltd	Nifty 50	30.13	1
Bharti Airtel Ltd	Nifty 50	19.64	1	Balkrishna Industries Ltd	Mid Cap	27.73	2
Hindalco Industries Ltd	Nifty 50	19.09	1	JK Paper Ltd	Small Cap	25.96	1

- Highest remuneration in case of EDPs is ₹ 85 crores drawn by Mr. Pawan Munjal, CMD of Hero Motocorp.
- Followed by Sun TV Networks where 3 EDPs have drawn more than ₹ 175 crores.
- Lowest in the Top 10 EDP list is JK Paper, which has remunerated almost ₹ 26 crores to its EDP.
- In the ED-NP section, highest ED-NP remuneration is ₹ 32.28 crores in Wipro Ltd. And the lowest being ₹ 19 crores in Hindalco.
- Bharti Airtel is featuring in both the List of EDPs and ED-NPs, with 30 crores and 20 crores being drawn by Mr. Sunil Bharti Mittal and Mr. Gopal Vittal respectively.
- While in ED NP category there are 9 companies out of NIFTY 50 and only one from Next 50 category, in EDP category 4 companies are from Mid Cap and one from small cap. Clearly establishing promoter dominance in remuneration practice.

Executive Directors:

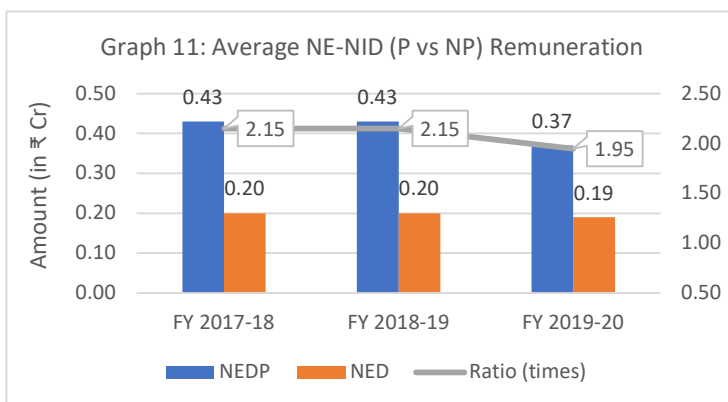
Average remuneration of EDs (both Promoter and Non-Promoter) is depicted in Graph 10:



- Data indicates that Promoter ED remuneration has increased during FY 2018-19, but decreased in FY 2019-20.
- However, avg. remuneration of Non-Promoter EDs have remained largely constant at around ₹ 4.7 crores with a negligible dip during the past 3 years.

Non-Executive (Non-Independent) Directors

Average remuneration of NEDs (both Promoter and Non-Promoter) is depicted in Graph 11. IDs are not considered.



- On an average, one can say that Promoter NEDs draw 2 times the average remuneration of Professional NED.
- Remuneration of Non-Promoter NEDs has remained largely consistent at around ₹ 20 lakhs.

Table 61 indicates the Percentage growth in average Remuneration of Directors during past 2 years in Tabular form and ratios of Promoter / Non-Promoter.

	FY 2017-18	FY 2018-19	FY 2019-20
ED	4.76	4.74	4.66
Growth %		-0.42%	-1.90%
EDP	5.76	6.38	6.07
Growth %		10.59%	-4.71%
Ratio EDP/ED	121%	134%	131%
NED	0.20	0.20	0.19
Growth %		No change	-5.00%
NEDP	0.43	0.43	0.37
Growth %		No change	-13.95%
Ratio NEDP/NED	215%	215%	195%

- Promoters are drawing relatively higher amounts compared to non-promoters both in ED and NED category- simply suggesting that there is an issue of extracting ownership/control premium.
- While in ED category the gap has increased, in NED category the gap has marginally declined, yet the gap is more prominent in NED category

Remuneration-Promoter Remuneration vs Promoter Shareholding:

As it is observed that promoter remuneration is relatively higher compared to Non-Promoter across all category and across three years, question is whether there is a causality with level of control (extent of ownership)

Table 62 depicts average EDP remuneration vis-à-vis ED-NP Remuneration at various Promoter shareholding range in the Sample for FY 2019-20

Table 62: Average ED (P/NP) Remuneration Distribution vis-à-vis Promoter shareholding							
Promoter Shareholding	P/NP	Per Director			Per Company		
		0%-25%	25%-50%	50%+	0%-25%	25%-50%	50%+
Nifty50	P	8.72	22.88	15.79	8.72	25.74	25.66
	NP	8.08	11.10	10.27	21.01	21.27	19.33
	Ratio	1.08	2.06	1.54	0.41	1.21	1.33
Nifty Next 50	P	NA	6.02	7.08	NA	13.25	16.17
	NP	NA	2.32	7.35	NA	4.06	14.22
	Ratio	NA	2.60	0.96	NA	3.27	1.14
Nifty Mid Cap	P	9.02	8.67	7.70	9.02	18.84	15.07
	NP	4.82	3.76	4.25	14.46	6.14	7.56
	Ratio	1.87	2.31	1.81	0.62	3.07	1.99
Nifty Small Cap	P	4.31	4.68	3.96	11.49	8.17	8.37
	NP	2.32	3.21	2.28	4.26	4.51	3.53
	Ratio	1.86	1.46	1.74	2.70	1.81	2.37
Nifty500	P	4.82	7.17	5.81	10.84	13.13	11.96
	NP	5.32	4.60	4.52	12.27	7.18	7.72
	Ratio	0.91	1.56	1.28	0.88	1.83	1.55

Data in Table 62 clearly establishes that there is causality between promoter shareholding and Promoter remuneration.

- On an overall basis (Nifty 500 Index) – When promoter shareholding is low (below 25%) or high (Above 50%) skewedness is lower, both when seen in terms of per director or per Company remuneration.
- In middle category of ownership (25%-50%) skewedness is highest, indicating promoters influence in remuneration.
- Further, in lower category (Promoter <25%), probably it is influence of institutional investor's say on pay that is impacting EDP remuneration.
- Whereas in cases where promoter holding is higher than 50%, the skewness reduces, probably as promoters in such cases realise that they are taking their own share of profit out and it will be better overall if they retain profit in the company.
- Small cap seems to be least impacted by ownership as skewedness is almost uniform. Is it because in small cap institutional holding is less?

Remuneration-Promoter Remuneration vs Public Institutional Shareholding

The data in table 62 has established that Promoters Remuneration is relatively higher all across the sample for past three years, indicating that promoters are able to use their voting power or control over the board to encash, what SES describes as ownership premium.

Is the ability of promoters to extract ownership premium unfettered or does it in any way get fettered due to presence of Institutional Investors is the next issue that is examined in **Table 63**.

Table 63 indicate the Avg. Promoter remuneration per Director and per Company and its relationship with Public Institutional shareholding during FY 2019-20.

Table 63: Average ED (P/NP) Remuneration Distribution (per Director & per Company) vis-à-vis Public Institution shareholding Distribution							
Public Institution	P/NP	Per Director			Per Company		
		0%-25%	25%-50%	50%+	0%-25%	25%-50%	50%+
Nifty50	P	26.40	11.66	27.50	31.67	18.94	27.50
	NP	9.00	11.48	9.59	21.85	21.74	25.57
	Ratio	2.93	1.02	2.87	1.45	0.87	1.08
Nifty Next 50	P	7.95	5.06	NA	17.22	12.29	NA
	NP	6.89	6.75	NA	13.39	12.70	NA
	Ratio	1.15	0.75	NA	1.29	0.97	NA
Nifty Mid Cap	P	8.69	7.73	5.22	18.73	14.13	13.92
	NP	4.14	4.02	3.81	7.16	7.50	5.51
	Ratio	2.10	1.92	1.37	2.62	1.88	2.53
Nifty Small Cap	P	3.87	4.83	5.24	7.99	9.09	11.80
	NP	2.23	3.27	1.80	3.27	5.12	2.80
	Ratio	1.74	1.48	2.91	2.45	1.78	4.21
Nifty500	P	5.83	6.42	9.47	12.03	12.08	18.09
	NP	3.76	5.37	6.47	6.11	9.46	12.72
	Ratio	1.55	1.20	1.46	1.97	1.28	1.42

Data set in Table 63 is quite similar to that of Table 62, except that Table 62 was with respect to Promoter shareholding.

- It very clearly establishes influence of institutional shareholding on remuneration practice, as higher is the institutional holding lower is average remuneration
- Skewness is observed to be the highest in 0-25% category, indicating that lower Institutional shareholding does give freedom to Promoters to extract ownership premium in terms of higher remuneration.
- Skewness is lowest in 25-50% Public Institutional category indicating that Promoter Remuneration is kept in check as Institutional shareholding is substantial.
- Further, EDP skewness remuneration in 50%+ Institutional shareholding category is in the mid-range when compared with other categories. It may be noted that there were only 11 Companies falling in this category, therefore, the data is limited to very few.

Remuneration-Performance based Variable Pay:

Directors on the Board are responsible for performance of the Company; therefore, it is logical that they must be incentivised for performance. The incentive should work both ways, for positive performance there must be a bonus in addition to fixed remuneration, simultaneously for negative performance there must be suitable malus as well. In Indian situation as of now there is no malus concept. Only profit linked incentives are there. However, even profit linked bonus is not there in all companies and for all directors. SES has observed in many cases only promoter directors are given profit linked bonuses or a major chunk is cornered/ usurped by promoters.

Any remuneration package which does not contain variable pay, is effectively failing in its objective to align the goals of the Company with the interest of the Director (at least financially).

Table 64 depicts the remuneration mix, in terms of percentage of fixed and variable pay of EDs in Nifty 500 index Companies based on both ownership and Indices.

Table 64: Average ED remuneration (Fixed vs variable) – Index-wise								
Index	Nifty 50		Nifty Next 50		Nifty Mid Cap		Nifty Small Cap	
Category	INC	MNC	INC	MNC	INC	MNC	INC	MNC
Average Remuneration (in ₹ Crores)								
Fixed	6.08	6.13	5.24	3.13	3.30	2.76	2.22	1.37
Variable	6.21	1.27	1.89	2.11	2.92	1.02	1.29	0.88
Total	12.29	7.40	7.13	5.24	6.22	3.78	3.51	2.25
Percentage Mix between variable and Fixed								
Fixed	49.47%	82.84%	73.49%	59.73%	53.05%	73.02%	63.25%	60.89%
Variable	50.53%	17.16%	26.51%	40.27%	46.95%	26.98%	36.75%	39.11%

- In NIFTY 50 and Mid Cap MNCs are paying major portion as fixed remuneration compared to INCs.
- Amongst INCs, no pattern is observed across indexes

Remuneration-Variable pay - Promoter vs Non-Promoter:

Table 65 analysed fixed and variable pay of EDs across ownership. Table 67 provides the percentage of variable pay of Promoter and Non-Promoter. Both EDs and NEDs have been considered. IDs are not included in the Table.

Table 65: Average Variable Pay Analysis (per Company) - FY 2019-20												
(₹. crores)	Nifty 50			Nifty Next 50			Nifty Mid Cap			Nifty Small Cap		
	Variable Pay	Fixed Pay	Variable %	Variable Pay	Fixed Pay	Variable %	Variable Pay	Fixed Pay	Variable %	Variable Pay	Fixed Pay	Variable %
Promoter	2.96	2.13	58.15%	0.62	1.57	28.31%	1.94	1.55	55.59%	0.94	1.22	43.52%
Non-Promoter	3.08	4.01	43.44%	1.54	3.50	30.56%	0.75	1.74	30.12%	0.42	1.00	29.58%
Total	6.04	6.14	49.59%	2.16	5.07	29.88%	2.69	3.29	44.98%	1.36	2.22	37.99%

Variable pay has remained higher for Promoter directors on an overall basis (ED and NED), except in Nifty next 50 where the Non-Promoter variable pay is slightly higher than that of the Promoters.

Table 66 has comparison and analysis of variable pay of promoter and Non-Promoter Executive Directors in Nifty 500 index during FY 2019-20.

Table 66: Variable Pay EDP & EDNP									EDP/ EDNP (T)	EDP/ EDNP (F)
Index / Category	Avg. Amount (in ₹ Cr)									
	ED-NP				ED-P				%	%
	V	F	T	V %	V	F	T	V %		
Nifty 50	4.41	5.78	10.19	43%	9.01	6.74	15.75	57%	155%	117%
Nifty Next 50	2.10	4.79	6.89	30%	1.66	5.07	6.73	25%	98%	106%
Nifty Mid Cap	1.16	2.72	3.88	30%	4.11	3.72	7.83	52%	202%	137%
Nifty Small Cap	0.73	1.77	2.50	29%	1.62	2.43	4.05	40%	162%	137%

V: Variable Pay; F: Fixed Pay, T: Total Pay

Across all indices, with the exception of NIFTY Next 50, variable pay of promoter EDs is higher compared to ED Non-Promoter and total pay of EDP is higher in all index category except NIFTY Next 50. And fixed pay of EDP is higher compared to EDNP. Clearly establishing the fact that remuneration is skewed, in favour of EDPs.

Variable Pay in Table 68 is inclusive of stock option pay. While, Table 68 portrays variable pay largely in favour of EDPs, Table 74 (Only stock option remunerating Companies) depicts absolutely contrary picture.

Table 67 provides variable pay analysis of promoter and Non-Promoter NEDs in Nifty 500 index during FY 2019-20.

Table 67: Variable Pay NEDP & NEDNP									NEDP/ NEDNP (Total)	NEDP/ NEDNP (Fixed)
Index / Category	Avg. Amount (in ₹ Cr)									
	NED-NP				NEDP				%	%
	V	F	T	V %	V	F	T	V %		
Nifty 50	0.39	0.40	0.79	49%	0.32	0.13	0.45	71%	57%	33%
Nifty Next 50	0.08	0.17	0.25	32%	0.18	0.07	0.25	72%	100%	41%
Nifty Mid Cap	0.05	0.05	0.10	50%	0.41	0.03	0.44	93%	440%	60%
Nifty Small Cap	0.04	0.05	0.09	44%	0.29	0.06	0.35	83%	389%	120%

V: Variable Pay; F: Fixed Pay, T: Total Pay

- NED P are paid much more compared to NEDNP across all indices except NIFTY 50. NED promoter garner relatively higher variable component across all indices
- The analysis results are same for NED and ED, in both category remuneration skewed in favour of promoter with few exceptions.

Tables (68 & 69) depicts Top 5 Companies with Max Variable pay to EDs in absolute & percentage terms in FY 2019-20.

Table 68: 5 Companies with highest Variable Pay (% terms)			
Company Name	Fixed Pay of ED	Variable Pay of ED	Variable Pay %
Divis Laboratories Ltd	1.11	25.80	95.88%
Dr. Lal PathLabs Ltd	0.55	11.43	95.45%
Tech Mahindra Ltd	3.09	25.62	89.23%
Symphony limited	0.20	1.44	88.04%
KEI Industries Ltd	1.14	7.36	86.59%

Table 69: 5 Companies with highest Variable Pay (absolute terms)			
Company name	Fixed Pay	Variable Pay	Variable Pay %
ICICI Bank Ltd*	20.8	44.83	68.31%
Infosys Ltd	10.48	34.39	76.64%
Larsen & Toubro Ltd	33.09	29.27	46.94%
Divis Laboratories Ltd	1.11	25.80	95.88%
Tech Mahindra Ltd	3.09	25.62	89.23%

*ESOPs encashment

Tables (70 & 71) depicts Top 5 Companies Minimum Variable pay to EDs in absolute & percentage terms in FY 2019-20.

Table 70: Top 5 Companies with lowest Variable Pay (% terms)			
Company Name	Fixed Pay of ED	Variable Pay of ED	Variable Pay %
Minda Corporation Ltd.	3.82	0.17	4.31%
Swaraj Engines Ltd	1.51	0.08	5.03%
The Phoenix Mills limited	1.04	0.07	6.07%
Motherson Sumi Systems Ltd.	2.64	0.19	6.87%
JK Paper Ltd	4.02	0.30	6.94%

Table 71: Top 5 Companies with lowest Variable Pay (absolute terms)			
Company name	Fixed Pay	Variable Pay	Variable Pay %
Navneet Education Ltd	0.54	0.07	12.05%
The Phoenix Mills limited	1.04	0.07	6.46%
Swaraj Engines Ltd	1.51	0.08	5.30%
Essel Propack limited	0.49	0.09	17.38%
Cholamandalam Investment & Finance Company Ltd	0.27	0.10	36.75%

Remuneration – Stock Options:

In case of Listed Entities, grant of stock option is governed by SEBI (Share Based Employee Benefit) Regulations, 2014. The Regulations prohibits stock option to Promoter and Independent directors.

Legal Provisions

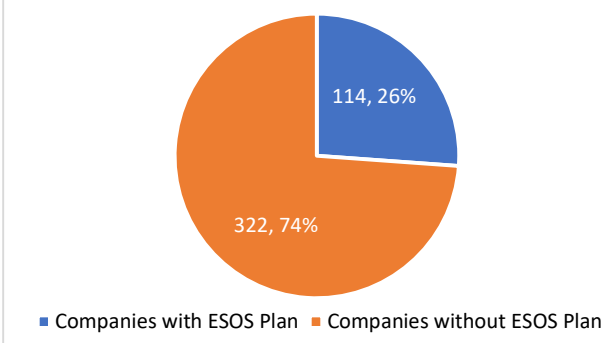
Regulation 2 (1)(f) SEBI (Share Based Employee Benefit) Regulations, 2014

(f) "employee" means, —

- (i) a permanent employee of the company who has been working in India or outside India; or
- (ii) a director of the company, whether a whole time director or not but excluding an independent director; or
- (iii) an employee as defined in clause (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the company but does not include—
 - (a) an employee who is a promoter or a person belonging to the promoter group; or
 - (b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company;

Therefore, as only Professional Directors can be paid and benefit from Stock Option Plans, many Promoters take rewards in form of large amount of commission. As a result, variable pay based

Graph 12: Companies granting ESOPs to EDs during FY 2019-20



remuneration is higher in case of Promoter directors when compared with that of Non-Promoter directors due to prohibition of ESOPs to compensate Promoter Directors.

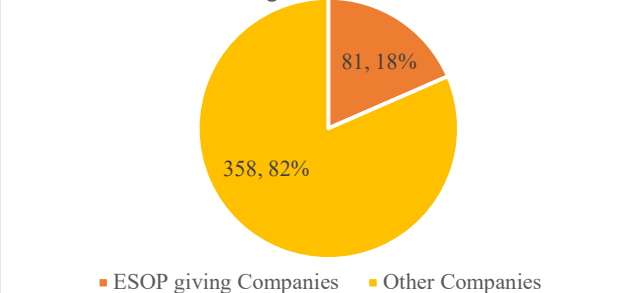
Only 1/4th of the total Companies in the Sample have an ESOP Scheme. The remaining 322 Companies or 76% of sample Companies did not have an ESOP scheme as on FY 2019-20.

Ideally, every Listed Company must have an ESOP to not only reward their employees

but to also retain talent.

Previous 2017 Study Recap – Companies offering Stock option Plans

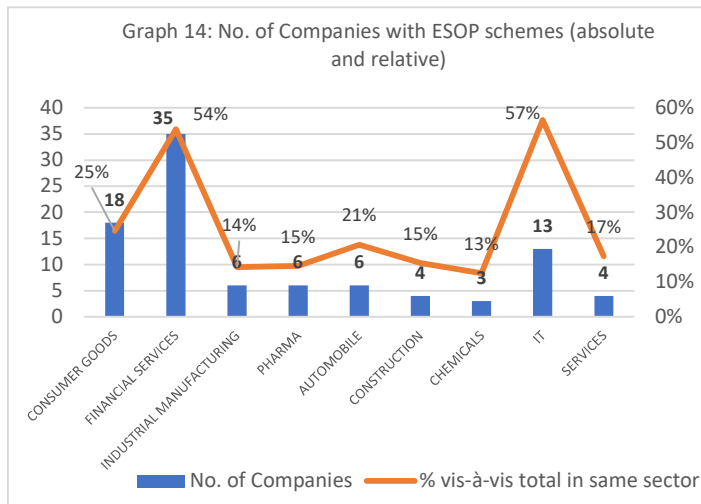
Graph 13: Companies granting ESOPs to EDs during FY 2016-17



3 years Observation:

- 3 years back, there were only 18% Companies offering Stock Option Plans to their employees.
- Presently 26% (114) Companies offer stock options plans to their employees.

Graph 14 depicts sector wise distribution of number and percentage of companies in the sector offering Stock Option plans to their employees. Only those sectors which have minimum 20 companies in the sample have been considered.



Highest percentage of Companies providing ESOPs are from Financial Services 35 companies (54%) & 13 companies (57%) from IT Sector.

Least number of Companies offering stock options was in Chemicals sector, where only 3 out of 21 (13%) offer Stock Option.

Can one conclude that this analysis indicate ESOPs are more prevalent in sectors where human resources are major productive resources? Or

ESOPs are not popular where the most important factor is technology?

Is there any relationship of ESOPs with skill? While all these observations could be true but a definitive relationship between ESOPs and performance cannot be built with this data alone.

A broad number of Companies in each industry is provided in (Annexure II) with this report.

Remuneration-ESOP – Ownership factor analysis

Table 72 provides distribution of Companies having ESOP vis-à-vis Nifty 500 Companies based on Ownership and Index.

Index / Category	ESOP Companies		Total Nifty 500 Count		% of Companies	
	INC	MNC	INC	MNC	INC	MNC
Nifty 50	25	1	39	2	64.10%	50.00%
Nifty Next 50	13	3	35	7	37.14%	42.86%
Nifty Mid Cap	30	6	107	23	28.04%	26.09%
Nifty Small Cap	35	1	207	16	16.91%	6.25%
Nifty 500 Index	103	11	388	48	26.55%	22.92%

Barring minor differences, percentage of companies giving ESOPs is same in INC and MNC

ESOP giving companies are lowest in % terms for Nifty Small Cap and Highest in NIFTY 50 in both INC and MNC.

This indicates that higher the market cap higher is the chance that ESOP is part of compensation plan.

During FY 2019-20, directors of 104 Companies (out 114 Companies) have received remuneration on exercise of stock options.

Table 73 provides an indication of the proportion of perquisite value of stock option compared to the total remuneration, during FY 2019-20 for the above stated 104 Companies.

Index / Category	Value of Stock option		Total Cash Compensation (Fixed and Variable)		% compensation vide ESOP	
	INC	MNC	INC	MNC	INC	MNC
	Nifty 50	246.93	6.22	1,048.15	39.05	23.56%
Nifty Next 50	59.97	15.29	313.21	40.52	19.15%	37.74%
Mid Cap	71.23	19.53	401.08	62.54	17.76%	31.23%
Small Cap	63.51	6.40	328.24	11.64	19.35%	54.98%
Nifty 500 Index	441.64	47.44	2,090.68	153.75	21.12%	30.86%

Although, number of MNCs offering Stock Options Plans are comparatively lesser, however, ESOP value is quite significant in case of MNCs (31%) compared to INC (21%) during FY 2019-20. This could be on account of many factors; better performance of share price, grant of larger number of Stock

Options or allotting options at deep discount to market. Only a deeper study into the number of options granted and exercise price would provide a concrete comparison.

Table 74 depicts variable pay of EDs (Promoter vs Non-Promoter). Since, Promoters are not paid ESOPs, therefore, their variable pay comprises only of cash component, as compared to both cash and ESOPs for Non-Promoter EDs.

Stock option Entities (2019-20)*			Variable Pay distribution between Promoter and Non-Promoter						
			ED-NP		EDP	ED-NP		EDP	Total Variable Pay %
			Cash	ESOP	Cash	Cash %	ESOP %	Cash %	
Nifty 50	24	58.54%	4.83	5.72	4.42	32.26%	38.21%	29.53%	100%
Nifty Next 50	15	35.71%	2.41	2.61	1.70	35.86%	38.84%	25.30%	100%
Nifty Mid Cap	33	25.38%	1.24	1.51	0.93	33.70%	41.03%	25.27%	100%
Nifty Small Cap	32	14.35%	0.82	1.37	0.87	26.80%	44.77%	28.43%	100%

**Note: Only those Companies are included whose directors exercised stock options during FY 2019-20*

In Table 74 ESOP value may not be reflective of compensation for the year as ESOPs are generally vested over a period of time and exercised at option of employees. Remuneration observation in these 104 Companies is absolutely contrary to the remaining Companies not having ESOP plans.

Observations from Table 74 are:

- There were 104 Companies out of (436 Nifty 500 Index Companies) that paid its directors remuneration in the form of ESOPs.
- Almost 60% of Nifty 50 Index Companies paid ESOP remuneration in FY 2019-20, followed by Next 50 which have 36%. As we move further lower in the Index, Percentage of Companies paying ESOPs remuneration keep decreasing.
- Table 74 clearly depicts that the variable pay of ED-NPs is almost 3x of that of their EDP counterparts.
- This trend is consistently seen in all Index Companies with little variation. As we go lower in Index, proportion of ESOP in variable pay increases marginally and cash based component decreases.

Therefore, one can conclude that these 104 Companies are an exception to our overall observation that ED remuneration has largely been in favour of Promoter Directors.

Tables 75 provide Top and Bottom 5 Companies / Directors based on perquisite value of ESOPs.

Table 75: Top 5 ED getting remuneration in the form of Stock Option					
Director Name	Company name	Index	Total Variable (in ₹ Cr)	Value on ESOP	% ESOP
Anup Bagchi	ICICI Bank Ltd	Nifty50	32.45	32.45	100%
C P Gurnani	Tech Mahindra Ltd	Nifty50	25.62	25.01	98%
Salil Satish Parekh	Infosys Ltd	Nifty50	28.20	17.04	60%
Bharat Tilakraj Puri	Pidilite Industries Ltd	Nifty next 50	21.63	16.65	77%
Abidali Neemuchwala	Wipro Ltd.	Nifty50	16.80	16.31	97%

Table 76: Bottom 5 ED getting remuneration in the form of Stock Option			
Director Name	Company name	Index	Value on ESOP
Wilhelmus Uijen	Hindustan Unilever Ltd	Nifty50	0.03
Laxman Ramnarayan	Minda Corporation Ltd.	Small Cap	0.04
Neeraj Jain	Vardhman Textiles Ltd	Small Cap	0.05
Ramesh Ganesh Iyer	M&M Financial Services Ltd	Mid Cap	0.07
Abhishek Bansal	Just Dial Ltd	Small Cap	0.08

Table 77: Top 5 ED getting 100% variable pay in the form of value of Stock Option				
Director Name	Company name	Index	Value on ESOP	% ESOP
Anup Bagchi	ICICI Bank Ltd	Nifty50	32.45	100%
Rajeev Jain	Bajaj Finance Ltd	Nifty50	13.05	100%
Vijay Chandok	ICICI Bank Ltd	Nifty50	9.48	100%
Venkataraman Ramachandran	V-Guard Industries Ltd	Mid Cap	8.95	100%
Rajeev Gupta	KEI Industries Ltd	Small Cap	7.36	100%

Remuneration – Board vs Employee compensation

It is not that only board is instrumental in efficient functioning of a company, all contribute as per their role. Everyone needs to be paid as per his/ her contribution. There is no measure available to value an employee’s contribution in absolute number or value. While the law provides minimum wages, yet all are not covered. This is the job of HR department of every company. Law on the other hand provide a relative measure to measure skewness of remuneration practice. Thus, relative measure of remuneration paid to the Board of directors, more specifically to Executive Directors with compensation for the employees is a better option although not necessarily the best method.

Remuneration-Employee Benefit Expense

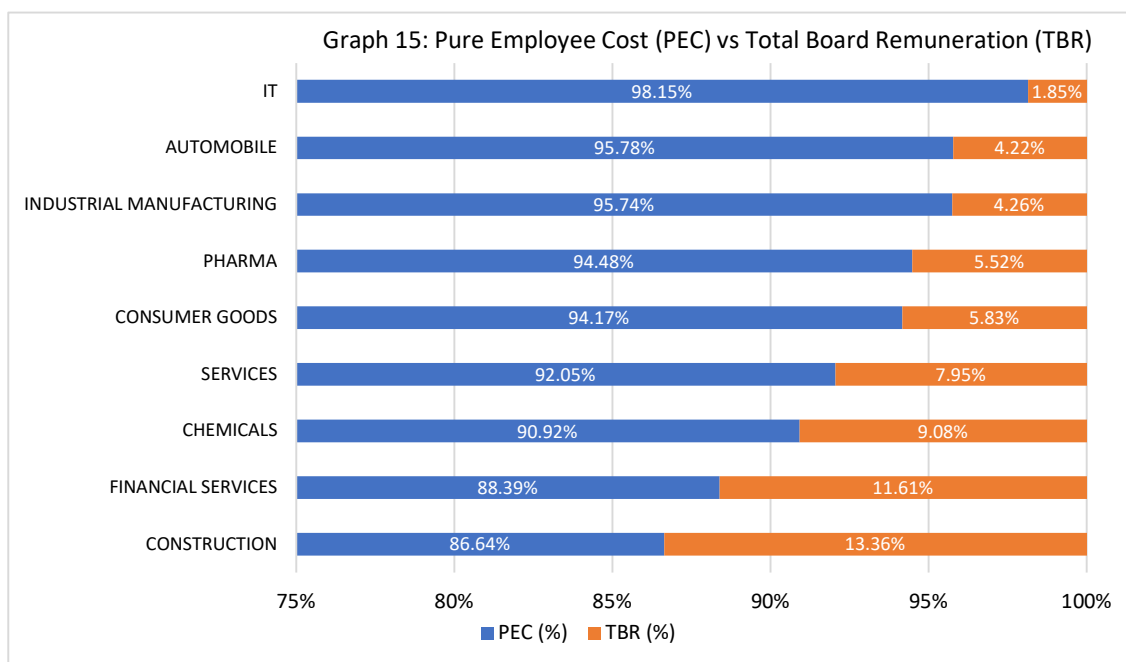
Comparison has been made on following parameters:

- A. **Pure Employee Cost (PEC)** = Employee Benefit Expenses as per P&L minus Board Remuneration
- B. **Total Board Remuneration (TBR)**

Since, the remuneration of Board members is also included in Employee benefit Expenses, therefore, the same has been deducted in order to arrive at pure employee cost without Board remuneration.

Graph 15, depicts comparison of Pure Employee Cost vis-a-vis Total Board remuneration (TBR) in the Sample Companies.

Only sectors having more than 20 Companies have been considered.



The data probably confirms the hypothesis - higher the skill level required in the sector, lower the board remuneration percentage indicates higher professional skilled employees in the sector. However, financial services data very clearly indicates that it could be a myth that skill required could be higher compared to other sectors as board remuneration is second highest among various sectors, indicating that board level remuneration could be skewed (probably owing to ESOPs also) or many employees in Financial Services could be drawing very low wages.

This possibility gets support as highest board remuneration percentage is in case of Construction Companies, where low skill employment is probably highest.

Averages may not tell the correct story, hence SES has identified top 10 companies having highest TBR / PEC ratio (Table 78). Only Companies having 1,000 or more employees are considered.

Table 78: Top 10 – Most Skewed Remuneration structure								
Company Name	PEC (₹ Crore)	TBR (₹ Crore)	TBR / PEC	# Emp.	AEW (₹ lakhs)	Highest paid director		
						Name (Amount)	P/NP	Ratio
Sun TV Network Ltd	112.93	179.46	1.59:1	1,352	8.35	Kavery Kalanithi & Kalanithi Maran. (87.5 Cr each)	P	1,048
Avanti Feeds Ltd	59.50	33.90	0.57:1	1,084	5.49	A Indra Kumar (19.41 Cr)	P	354
Ratnamani Metals & Tubes Ltd	108.61	36.20	0.33:1	2,276	4.77	Prakash Sanghvi (17.44 Cr)	P	366
Phillips Carbon Black Ltd.	106.34	28.04	0.26:1	1,033	10.29	Sanjiv Goenka (15.69 Cr)	P	152
Gujarat Ambuja Exports Ltd	80.83	21.08	0.26:1	3,090	2.62	Manish Gupta (21.31 Cr)	P	775
Granules India Ltd	152.84	39.67	0.26:1	3,029	5.05	Chigurupati Prasad (20.56 Cr)	P	407
Balkrishna Industries Ltd	229.58	56.24	0.24:1	2,834	8.10	Arvind Poddar (27.76 Cr)	P	343
Amara Raja Batteries Ltd	312.28	72.90	0.23:1	7,640	4.09	Galla Jayadev (45.43 Cr)	P	1,111
Dilip Buildcon Ltd	159.22	36.56	0.23:1	38,569	0.41	Devendra Jain (18 Cr)	P	4,390
JSW Energy limited	97.39	21.32	0.22:1	1,677	5.81	Sajjan Jindal (12.01 Cr)	P	207

PEC: Pure Employee Cost; **TBR:** Total Board Remuneration; **# Emp.:** No. of Employees; **AEW:** Average Employee Wage; **Ratio:** Directors Rem / AEW

In skewness Sun TV is miles ahead of any other company, two promoter director takes almost 1.6 times the total remuneration paid to other 1,352 employees. Ratio of highest paid Director remuneration to Average Employee Wage is 1,048. Similarly, ratio of TBR to AEW is 2100+ times.

Highest Ratio is for directors of Dilip Buildcon at 4,390 times.

All the companies/ directors are INC and promoters.

At the other hand of spectrum, we have companies which have least skewness (Table 79)

Table 79: Top 10 – Board Remuneration vis-à-vis Employee Benefit Cost								
Company Name	PEC (₹ Crore)	TBR (₹ Crore)	TBR / PEC	# Emp.	AEW (₹ lakhs)	Highest paid director		
						Name(s) (Rem)	P/ NP	Rem. / AEW
Infosys Ltd	42,416	52.28	0.04%	2,42,371	17.50	Salil Satish Parekh (34.27 Cr)	NP	195.82
Vodafone Idea limited*	1,971.62	0.99	0.05%	11,486	17.17	Ashwani Windlass (0.19 Cr.)	NP	1.11
Tata Consultancy Services Limited	64,873.30	32.7	0.05%	4,48,464	14.47	Rajesh Gopinathan (13.38 Cr.)	NP	92.49
Interglobe Aviation Limited*	4,392.10	3.26	0.07%	27,812	15.79	Ronojoy Dutta (1.89 Cr.)	NP	11.96
ABB Power Products and Systems India Ltd	249.54	0.22	0.09%	2,200	11.34	Venu Nuguri (0.22 Cr.)	NP	1.90
HCL Technologies Ltd	9,905.90	10.10	0.10%	73,686	13.44	Robin Ann Abrams (1.29 Cr.)	NP	9.60
Shriram City Union Finance limited	846.56	1.11	0.13%	28,699	2.95	Y S Chakravarthy (1.11 Cr.)	NP	37.73
Shriram Transport Finance Company Ltd	1,009.19	1.63	0.16%	28,045	3.60	Umesh Revankar (1.10 Cr.)	NP	30.53
Wipro Ltd.	26171.8	48.81	0.19%	1,82,886	14.31	Abidali Z Neemuchwala (32.28 Cr)	NP	341
Venkys (India) Ltd*	219.42	0.45	0.21%	5,776	3.80	Banda Balaji Rao (0.27 cr)	P	7.37

PEC: Pure Employee Cost; **TBR:** Total Board Remuneration; **# Emp.:** No. of Employees; **AEW:** Average Employee Wage; **Ratio:** Directors Rem / AEW; *****: Loss during FY 2019-20.

This list has India's top 4 IT Companies. One may recall that the Graph 15 also indicated IT Companies having least ratio of Board remuneration to Employee Cost.

Remuneration- Skewness– Median Remuneration of Employees (MRE)

MRE is another measure of assessing Employee vs Board skewness. While, the foregoing considered employee benefit expenses using the P&L figures, MRE provides remuneration paid to the median employee.

Legal Provisions

Rule 5 to Section 197 (12) of the Companies Act, 2013

5. Disclosure in Board's Report

(1) Every listed company shall disclose in the Board's report-

(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

Since, the remuneration to directors differs with each sector and industry, law requires that ratio of director's remuneration to that of the median employee be disclosed, so that a relative estimate can be made by the shareholders of the Company.

MRE = Remuneration of Director / Ratio of Directors' Rem. to MRE (as per Board's Report disclosure)

Table 80 depicts average MRE for Nifty 500 Index Companies based on Index and ownership.

Index / Ownership	FY 2017-18		FY 2018-19		FY 2019-20	
	INC	MNC	INC	MNC	INC	MNC
Nifty 50	6.91	10.53	6.45	10.10	6.93	12.20
Nifty Next 50	5.44	10.31	7.28	9.82	7.90	13.25
Nifty Mid Cap	5.16	9.43	5.84	10.02	6.85	10.55
Nifty Small Cap	4.91	7.29	5.45	7.70	5.88	9.92
Nifty 500 index	5.24	8.90	5.81	9.20	6.45	10.83

Median employee's remuneration in MNCs is invariably higher compared to INCs across all indices and across years, may be indicating relatively more fairness in remuneration structure.

Table 81 lists Companies with Highest Ratio Avg. ED Rem to MRE. It may be noted that while ED Rem is depicted in ₹ Cr, MRE is indicated in ₹ lacs.

Company name	AER (in ₹ Cr)	MRE (in Lakhs)	Ratio	Details of the highest paid ED		
				Name	P / NP	Rem. (in ₹ Cr)
Amara Raja Batteries Limited	45.43	2.04	2,223x	Galla Jayadev	EDP	45.43
SpiceJet Ltd	7.20	0.96	750x	Ajay Singh	EDP	7.2
The Ramco Cements Ltd	41.01	6.27	654x	Poosapadi Raja	EDP	41.01
Tech Mahindra Ltd	28.71	4.62	621x	Chander Gurnani	ED-NP	28.71
Cadila Healthcare Ltd	26.45	4.33	611x	Ganesh Nayak	ED-NP	27.89

AER: Avg. ED Remuneration (in ₹ Cr)

REMUNERATION ANALYSIS – INDIVIDUAL DIRECTOR WISE

While we have analysed Board level remuneration practice in previous section, this section analyses remuneration of individual directors: EDs, NEDs and IDs on various parameters.

Remuneration – Executive Directors

Executive Directors, also referred to as Whole-time Directors are engines for performance of companies, therefore, their compensation should be better than anyone else and match with the performance of the Company.

Legal Provisions

Section 197 of the Companies Act, 2013

(1) The total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its manager in respect of any financial year shall not exceed eleven per cent. of the net profits of that company for that financial year computed in the manner laid down in section 198 except that the remuneration of the directors shall not be deducted from the gross profits:

Provided that the company in general meeting may, authorise the payment of remuneration exceeding eleven per cent. of the net profits of the company, subject to the provisions of Schedule V:

Provided further that, except with the approval of the company in general meeting by a special resolution],—

*(i) the remuneration payable to any one managing director; or whole-time director or **manager shall not exceed five per cent.** of the net profits of the company and if there is more than one such director remuneration **shall not exceed ten per cent.** of the net profits to all such directors and manager taken together;*

The law itself has taken cognizance of this fact and has provided a limit of 10% of Net Profit calculated as per Section 198 of Act 2013.

While on one hand their (EDs) contribution is recognised, on the other hand not to give a free run to EDS to set their own remuneration law also has provided certain restrictions as well as procedure for approval of remuneration, thus giving shareholders the final ‘say on pay’.

Table 82 analysis average individual ED remuneration paid in the past 3 years categorised on the basis of ownership and Index.

Table 82: Average ED Remuneration						
Financial Year	2017-18		2018-19		2019-20	
Ownership	INC	MNC	INC	MNC	INC	MNC
Nifty 50	11.78	6.02	12.03	8.06	12.28	7.39
Nifty Nxt 50	7.34	6.39	7.02	5.47	7.12	5.25
Nifty Mid Cap	6.49	3.10	6.34	3.32	6.23	3.77
Nifty Small cap	3.27	2.14	3.87	2.62	3.52	2.24
Nifty 500 Index	5.49	3.53	5.77	3.80	5.58	3.81

- Remuneration both at INCs and MNCs see gradual decline as one moves down the hierarchy in index. Nifty 50 having highest Average Remuneration, with Nifty small cap having lowest Average remuneration
- Across all indexes and years MNC have paid relatively lower remuneration. Putting this alongside observation at Table 82 where it was observed that Median remuneration for MNC was higher all across, these two factors clearly establishes that skewedness of remuneration (if any) is lower in MNCs compared to INCs
- Is it due to a possibility that INCs being owner driven are extracting ownership premium through remuneration?

Table 83 has data on YoY growth in remuneration

Table 83: Growth in ED Rem. YoY				
Financial Year	2018-19 over 2017-18		2019-20 over 2018-19	
	INC	MNC	INC	MNC
Nifty 50	2.12%	33.89%	2.08%	-8.31%
Nifty Next 50	-4.36%	-14.40%	1.42%	-4.02%
Nifty Mid Cap	-2.31%	7.10%	-1.74%	13.55%
Nifty Small cap	18.35%	22.43%	-9.04%	-14.50%
Nifty 500 Index	5.10%	7.65%	-3.29%	0.26%

No meaningful observation or conclusion can be made

Tables 84 & 85 list of Top 5 and Bottom 5 EDs remuneration in absolute terms (in ₹ Cr) during FY 2019-20.

Table 84: Top 5 Executive Directors remuneration (absolute)							
Director Name	Company name	P / NP	Index	INC /MNC	Total Pay	Total Board Rem.	% of Pay out of Total Board Rem.
Kavery Kalanithi	Sun TV Network Ltd	P	Mid Cap	INC	87.50	179.46	48.76%
Kalanithi Maran	Sun TV Network Ltd	P	Mid Cap	INC	87.50	179.46	48.76%
Pawan Munjal	Hero MotoCorp Ltd	P	Nifty 50	INC	84.59	95.43	88.64%
Murali Krishna Divi	Divis Laboratories Ltd	P	Nifty 50	INC	52.36	105.39	49.68%
Galla Jayadev	Amara Raja Batteries Ltd	P	Mid Cap	INC	45.43	72.90	62.32%

Table 85: Bottom 5 Executive Directors remuneration (absolute)							
Director Name	Company name	P / NP	Index	INC /MNC	Total Pay	Total Board Rem.	% of Pay out of Total Board Rem.
Velumani Arokiaswamy	Thyrocare Technologies Ltd	P	Small Cap	INC	**	0.65	**
Nellore Reddy	Rain Industries Limited	P	Small Cap	INC	0.01	1.20	0.83%
Rajesh Mehta	Rajesh Exports Ltd	P	Mid Cap	INC	0.01	0.02	48.00%
Prashant Mehta	Rajesh Exports Ltd	P	Mid Cap	INC	0.01	0.02	48.00%
Anuj Khanna Sohumi	Affle (India) Ltd	P	Small Cap	MNC	0.03	2.60	0.97%

** Mr. Velumani takes a token sum of ₹ 1 per month.

List of highest paid Executive Directors across 3 years is provided in Table 86:

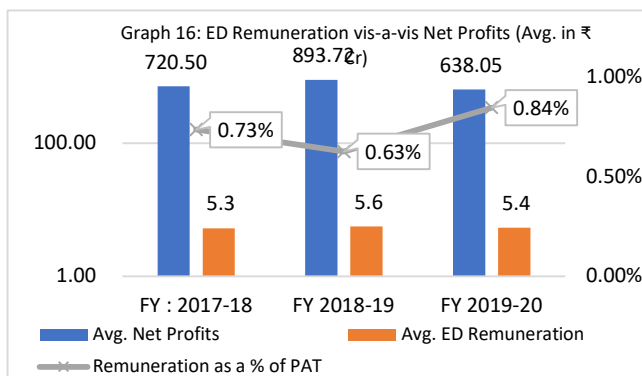
Table 86: List of highest paid Executive Directors across 3 years					
Sr. No.	Directors (Top 2019-20)	Company	2019-20	2018-19	2017-18
1	Kavery Kalanithi	Sun TV Network Ltd	Yes	Yes	Yes
2	Kalanithi Maran	Sun TV Network Ltd	Yes	Yes	Yes
3	Pawan Munjal	Hero MotoCorp Ltd	Yes	Yes	Yes
4	Murali Krishna Divi	Divis Laboratories Ltd	Yes	Yes	No
5	Galla Jayadev	Amara Raja Batteries Ltd	Yes	No	No

- Top 2 are Kalanithi couple of Sun TV Networks. They featured in the Top 5 Table in past 2 years also, and so did Mr. Pawan Munjal of Hero MotoCorp.
- Mr. Murali Krishna Divi features in the list for 2 years.
- Not surprising to observe that all these 5 directors belong to the Promoter Family.

Remuneration-Executive Remuneration with Net Profits

An ideal remuneration Policy must link the performance of the Executives with the performance of the Company. In light of this, the remuneration pattern of the Executive Directors of the Sample Companies during the past 3 years has been analysed with Net Profits.

Graph 16 link the Avg. Executive Directors remuneration with the Avg. Standalone Net Profits of the sample Companies during the past 3 years.



Average annual remuneration of an ED has remained in the range of ₹ 5.3 to ₹ 5.6 crores. On a relative basis on an average an ED has drawn less than 1% of the Standalone Net Profits of the Company.

In the Graph 16, overall ED remuneration was mapped against overall Net Profits.

Table 87 has average ED remuneration calculated as average of each Company's ED remuneration percentage to Net Profits within a particular index and ownership. ED Remuneration of only Profit making Companies have been considered in order to make a reasonable comparison.

Financial Year	ED Rem. (in ₹ Cr)						ED Rem. vis-à-vis Net Profits (%)					
	2017-18		2018-19		2019-20		2017-18		2018-19		2019-20	
Ownership	INC	MNC	INC	MNC	INC	MNC	INC	MNC	INC	MNC	INC	MNC
Nifty 50	12.0	6.0	11.9	8.1	12.3	8.0	1.2%	0.2%	0.5%	0.3%	0.5%	0.2%
Next 50	7.7	6.4	7.6	5.5	7.4	5.2	1.0%	0.9%	0.8%	0.7%	0.8%	0.7%
Mid Cap	6.8	3.1	6.7	3.3	6.4	3.8	2.2%	1.2%	1.7%	1.0%	1.8%	1.4%
Small Cap	3.5	2.5	4.0	3.1	3.8	2.8	2.8%	2.8%	3.1%	3.1%	3.0%	3.4%
Nifty 500	5.8	3.7	6.0	4.0	5.9	4.1	2.3%	1.5%	2.2%	1.5%	2.1%	1.7%

Data in table 87 reveals that:

- Remuneration in absolute terms is higher in top end of the spectrum while, relative percentage to Net Profits is lower. And completely contrary trend is visible as we move towards the lower end of the spectrum.
- Average ED remuneration at the higher end of the spectrum is higher and the remuneration reduces as we move towards the lower end of the spectrum.
- Completely opposite trend is visible in the relative (vs Net Profits) section, indicating that higher size indicates higher Net Profits.
- Overall avg. ED remuneration paid to INC Directors has remained in a range of ₹ 5.8 to ₹ 6 crores during the past 3 years, while that of the MNCs has increased from ₹ 3.7 to ₹ 4.1 crores.

Top 5 ED remuneration % to Net Profits

List of top & bottom 5 EDs drawing remuneration as a percentage of Net Profits is depicted in Tables 88 & 89. Only those EDs who were paid at least ₹ 10 crores are considered:

Name of the director	Company	P / NP	Index	Rem.	Net Profits	%
Ajay Bijli	PVR limited	P	Small Cap	13.65	30.16	45.26%
Puneet Yadu Dalmia	Dalmia Bharat Limited	P	Mid Cap	19.64	135.00	14.55%
Manish Gupta	Gujarat Ambuja Exports Ltd	P	Small Cap	20.31	145.84	13.93%
Gautam Dalmia	Dalmia Bharat Limited	P	Mid Cap	14.98	135.00	11.10%
Gautamhari Singhania	Raymond Ltd	P	Small Cap	10.05	94.32	10.66%

All 5 are Promoter EDs. Mr. Ajay Bijli of PVR tops the list with 45% of Net Profits being drawn as Remuneration followed by Mr. Puneet Dalmia of Dalmia Bharat at 14.5% of Net Profits.

All 5 Companies are either Mid Cap or Small Cap Companies indicating that a significant portion of remuneration is consumed in ED remuneration.

Name of the director	Company	P / NP	Index	Rem.	Net Profits	%
Mukesh Ambani	Reliance Industries Ltd	P	Nifty 50	15.00	30,903.00	0.05%
Hital Meswani	Reliance Industries Ltd	NP	Nifty 50	24.00	30,903.00	0.08%
Nikhil Meswani	Reliance Industries Ltd	NP	Nifty 50	24.00	30,903.00	0.08%
Koushik Chatterjee	Tata Steel Ltd	NP	Nifty 50	10.25	6,743.80	0.15%
Rahulkumar Bajaj	Bajaj Auto Ltd	P	Nifty 50	11.60	5,099.98	0.23%

- Top 3 spots have been taken by EDs of Reliance Industries. Aggregate remuneration of these EDs forms only 0.2% of their Net Profits, which is absolutely insignificant.
- Mr. Koushik Chatterjee ED-NP of Tata Steel and Mr. Rahul Bajaj, EDP of Bajaj Auto drew 0.15% and 0.23% of Net Profits as remuneration, respectively.

Remuneration-Executive Remuneration Vs. Board Remuneration

Table 90 analyses remuneration distribution of EDs vs Total Board remuneration for past 3 years on the basis of ownership and Index. Average of ED remuneration percentage for each Company is considered. (Average of sum of individual company averages)

Financial Year	2017-18		2018-19		2019-20	
Ownership / Index	INC	MNC	INC	MNC	INC	MNC
Nifty 50	75.41%	95.40%	77.33%	95.12%	78.86%	95.87%
Nifty Next 50	81.39%	90.72%	76.17%	90.70%	78.10%	80.63%
Nifty Mid Cap	83.46%	83.96%	80.14%	82.86%	80.80%	80.10%
Nifty Small cap	82.10%	84.08%	81.31%	79.01%	77.82%	78.98%
Nifty 500 Index	81.71%	85.53%	80.11%	83.33%	78.77%	80.46%

- MNCs are paying larger share of Board Remuneration to EDs

Ownership / Index	INC			MNC		
	ED	NEDs	IDs	ED	NEDs	IDs
Nifty 50	78.86%	7.15%	13.99%	95.87%	-	4.13%
Next 50	78.10%	6.17%	15.73%	80.63%	7.53%	11.84%
Mid Cap	80.80%	6.85%	12.35%	80.10%	6.75%	13.15%
Small cap	77.82%	8.27%	13.91%	78.98%	12.71%	8.31%
Nifty 500	78.77%	7.29%	13.94%	80.46%	7.20%	12.34%

Table 91 analyses remuneration distribution of Total Board remuneration between ED, NED & ID for past 3 years on the basis of ownership and Index.

Observations of Table 91:

- Data suggests that around 80% of Total Board remuneration in INCs & MNCs is drawn by EDs, except in case of Nifty 50 Companies in MNCs.
- NEDs in Nifty 50 MNC do not draw any remuneration and even the remuneration paid to IDs is relatively lesser when compared with that of other Indices.
- On an Overall basis, remuneration of IDs is marginally higher in INCs compared with that of MNCs vis-à-vis the total Board remuneration.
- Around 7% of Total Board remuneration is drawn by NEDs in both INC and MNCs.

Table 92 lists Top 10 EDs in Nifty 500 Index Companies drawing max percentage of Total board remuneration.

Director Name	Company name	P / NP	Index	INC/ MNC	Rem	TBR	Rem / TBR
Venkateswarlu Jasti	Suven Pharmaceuticals	P	Small Cap	INC	6.08	6.16	98.70%
Ajay Singh	SpiceJet Ltd	P	Mid Cap	INC	7.20	7.34	98.09%
Patanjali Keswani	Lemon Tree Hotels	P	Small Cap	INC	3.48	3.56	97.88%
Abhijit Upadhye	Tasty Bite Eatables	NP	Mid Cap	INC	4.00	4.09	97.80%
Poosapadi Raja	The Ramco Cements	P	Small Cap	INC	41.01	42.33	96.88%
Manish Gupta	Gujarat Ambuja Exports	P	Small Cap	INC	20.31	21.08	96.35%
Rajeev Singhal	Tata Steel BSL Ltd.	NP	Small Cap	INC	2.98	3.10	96.13%

Vayu Garware	Garware Technical Fibres	P	Small Cap	INC	2.05	2.15	95.52%
Parmod Sagar	Orient Refractories Ltd.	NP	Small Cap	INC	2.79	2.92	95.41%
Sundeep Sikka	Nippon Life India Asset	P	Mid Cap	MNC	7.02	7.39	94.99%
<i>TBR: Total Board Remuneration. Remuneration is in ₹ Crores.</i>							

All except Nippon Life, are Indian Corporates. Mr. Sundeep Sikka of Nippon Life India Asset Management Ltd (only MNC in the List) is nominated on the Board by the Promoter Company, i.e., Nippon Life Insurance Company, therefore, he has been classified as EDP, though he is not the Promoter in his individual capacity. And he is the only ED in the Company and had received ESOPs as well, thus increasing the percentage.

NRC of these companies has evaluated contribution of the remaining Board members at less than 5% of total Board remuneration.

In all probability, remuneration alone will not be able to justify, whether the Remuneration Committee has a rationale remuneration policy or not?

Table 93 lists Bottom 10 EDs in Nifty 500 Index Companies who drew minimum percentage of Total board remuneration during FY 2019-20.

Director Name	Company name	P / NP	Index	INC / MNC	Rem	TBR	% Rem / TBR
Velumani Arokiaswamy	Thyrocare Technologies Ltd	P	Small Cap	INC	**	0.65	0.00%
Bina Modi	Godfrey Phillips India ***	P	Small Cap	MNC	0.06	28.34	0.21%
Bhupendra Bhate	L&T Technology Services Ltd.	NP	Mid Cap	INC	0.07	27.71	0.27%
Prashant Kumar	Yes Bank Ltd	NP	Mid Cap	INC	0.03	10.51	0.31%
Mihir Hiten Parekh	Nilkamal Ltd	P	Small Cap	INC	0.07	14.98	0.43%
Debabrata Gupta	Pidilite Industries Ltd	NP	Next 50	INC	0.28	47.72	0.59%
Sanjay Borwankar	Gujarat Fluorochemicals Ltd	NP	Small Cap	INC	0.09	14.44	0.59%
Kaviya Kalanithi Maran ^{##}	Sun TV Network Ltd	P	Mid Cap	INC	1.22	179.46	0.68%
Krishnaswamy Vijaykumar	Sun TV Network Ltd	NP	Mid Cap	INC	1.27	179.46	0.71%
Anand Rambhau Bhusari	Gujarat Fluorochemicals Ltd	NP	Small Cap	INC	0.11	14.44	0.76%
<i>TBR: Total Board Remuneration. Remuneration is in ₹ Crores. ** Mr. Velumani takes a token sum of ₹ 1 per month.</i>							

^{##} her parents are taking a total of ₹ 175 Crores and 97.5% of total board remuneration

^{***} Godfrey Phillips is classified as MNC due to its association Philip Morris Global, otherwise the Indian business is mainly run by the Modi family.

Remuneration Skewness – Promoter vs Professional Executive Directors

Ideally, there should not be skewed remuneration, if one were to follow what remuneration means. Remuneration means fair exchange of labour/ work for money in equal terms. Therefore, remuneration practice wherein certain ED is paid 'n' times the other ED, clearly appears discriminatory and such practice is questionable.

Table 94 in the form of a heat map differentiates between Promoter & Non-Promoter Executive remuneration practice for past 3 years across ownership and Index. EDs in MNCs are not separated as there are negligible promoter shareholder EDs in MNCs unlike INC.

Financial Year	2017-18				2018-19				2019-20			
	INC			MNC	INC			MNC	INC			MNC
	P	NP	P/NP		P	NP	P/NP		P	NP	P/NP	
Nifty 50	13.58	10.83	1.25	6.02	16.72	9.81	1.70	8.06	15.75	10.53	1.50	7.39
Nifty Next 50	7.29	7.38	0.99	6.39	6.39	7.55	0.85	5.47	6.97	7.25	0.96	5.25
Nifty Mid Cap	7.65	4.89	1.56	3.1	8.02	4.2	1.91	3.32	8.16	3.87	2.11	3.77
Nifty Small cap	3.88	2.22	1.75	2.14	4.5	2.83	1.59	2.62	4.08	2.58	1.58	2.24
Nifty 500 Index	5.87	4.99	1.18	3.53	6.45	4.94	1.31	3.8	6.21	4.79	1.30	3.85

Observation of Table 94 are:

- On average INC Promoters are paid the higher remuneration compared to professionals in INCs and EDs in MNCs, except in NIFTY Next 50 category consistently across three years. Table 98 throws some light as to what has caused this exception.
- The skewed remuneration practice has not only continued across three years but has increased in NIFTY 50 & Mid Cap companies
- MNCs have paid consistently lower remuneration compared to INCs both P and NP categories.
- In percentage terms, MNC EDs are drawing higher share of Board remuneration, yet in absolute terms drawing lesser board remuneration, indicating that NEDs are taking higher share in Board remuneration in INC compared to MNC and on average MNC board remuneration lower compared to INC board remuneration.
- Data in Table 94 suggests that as an exception to general trend, ED-NPs in Nifty Next 50 Index companies are paid higher than that of their EDP counterparts. Table 95 has remuneration data of ED-P & NPs of Nifty Next 50.

ED Remuneration – INC (Next 50) – P vs NP

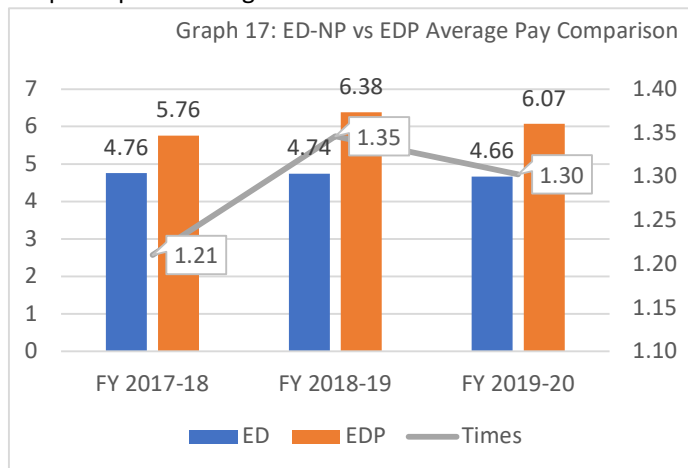
Rem (in ₹ Crores)	EDP		ED-NP	
	#	%	#	%
less than 1	5	12%	5	10%
1 to 5	16	38%	22	44%
5 to 10	9	21%	11	22%
10 to 25	12	29%	10	20%
25 to 50	-	NA	2	4%
Total	42	100%	50	100%

Data reveals that while there are no EDP drawing remuneration in the ₹ 25-50 crore bracket, however, 2 ED-NPs, viz., Mr. Bharat Tilakraj Puri & Mr. Ganesh Nayak of Pidilite Industries Ltd & Cadila Healthcare Ltd were paid almost ₹ 32 and ₹ 28 crores respectively.

Almost 50% of Mr. Bharat's remuneration was on account of ESOPs. This has basically resulted in

higher average remuneration for ED_NPs in Nifty Next 50 Companies in the INC category.

Graph 17 plots average Promoter EDs remuneration and non-promoter ED remuneration (INC & MNC both).



The ratio EDP/EDNP is around 1.20 to 1.35 times.

Establishing without doubt that premium is extracted by the Promoter directors in the form of Executive remuneration, unless one believes that their performance is far more superior than their Non-Promoter counterparts.

Table 96 lists Top 10 Companies with most discriminatory remuneration practice with respect to overall remuneration in absolute terms in EDP and ED-NP category.

Only those Companies where EDs have served for entire FY have been considered.

Company Name	Index	EDP Avg. Rem.	EDNP Avg. Rem.	Ratio EDP/EDNP	EDP Rem. Ratio to MRE	Highest Paid EDP Name (₹ Rem)
Balkrishna Industries Ltd	Mid Cap	27.73	0.68	40.77	504.36	<i>Arvind Kumar Poddar (27.76 Cr.)</i>
SRF Ltd.	Mid Cap	7.54	0.19	39.68	175.35	<i>Ashish Bharat Ram (7.94 Cr.)</i>
Sun TV Network Ltd	Mid Cap	58.74	1.53	38.52	NA	<i>Ms.Kavery & Mr.Kalanithi Maran (87.50 Cr. each)</i>
Gujarat Ambuja Exports Ltd	Small Cap	20.31	0.60	33.85	1,140.77	<i>Manish Gupta (20.31 Cr.)</i>
MAS Financial Services Ltd	Small Cap	8.46	0.33	25.87	353.48	<i>Kamlesh Gandhi (8.46 Cr.)</i>
Gujarat Fluorochemicals Ltd	Small Cap	7.18	0.28	25.66	166.75	<i>Vivek Kumar Jain (7.18 Cr.)</i>
Balrampur Chini Mills Ltd	Small Cap	6.36	0.32	20.19	251.17	<i>Vivek Saraogi (6.36 Cr.)</i>
Shilpa Medicare Ltd	Small Cap	9.92	0.53	18.90	200.88	<i>Vishnukanth Chaturbhuj (9.92 Cr.)</i>
Dhanuka Agritech Ltd	Small Cap	3.44	0.21	16.13	91.27	<i>Ram Gopal Agarwal (4.71 Cr.)</i>
PNC Infratech Ltd	Small Cap	7.93	0.61	13.09	120.46	<i>Pradeep Kumar Jain (8.09 Cr.)</i>

MRE: Median Remuneration of Employee; NA – Median Data not available

All the above Companies belong to Mid Cap and Small Cap, indicating that this category witnesses maximum discrimination between EDP and ED-NP remuneration. All are Indian Corporates.

Most skewness between Promoter ED and Non-Promoter ED is witnessed in Balkrishna Industries where Avg. Promoter remuneration is 40+ times of that of their Professional counterpart.

In terms of median remuneration of employees (MRE), Avg. Promoter ED remuneration in Gujarat Ambuja Exports is 1100+ times of MRE.

Remuneration-Gender Equality

Gender equality is one of the most emphasised factors in the Corporate arena nowadays. Therefore, it is pertinent that ED remuneration also depicts equitable remuneration to women EDs.

Table 97 & 98 in the form of heat map depicts average remuneration of women and men EDs for the past 3 years on the basis of ownership and index.

Amount (in ₹ Cr)	2017-18			2018-19			2019-20		
Index / Ownership	INCs			INCs			INCs		
	Men	Women	M/W	Men	Women	M/W	Men	Women	M/W
Nifty 50	12.28	5.35	2.30	12.45	6.39	1.95	12.5	8.18	1.53
Nifty Next 50	7.35	7.1	1.04	7.2	3.89	1.85	7.16	6.37	1.12
Mid Cap	6.45	6.91	0.93	6.2	8.07	0.77	6.2	6.54	0.95
Small Cap	3.32	2.52	1.32	3.98	2.48	1.60	3.58	2.78	1.29
Nifty 500 Index	5.56	4.66	1.19	5.86	4.74	1.24	5.64	4.72	1.19

It is observed that:

- Max gender bias is seen in NIFTY 50 companies, which has reduced in last three years considerably, however over all in Sample the bias has remained almost unchanged.
- Surprisingly Mid Cap has reverse bias as Women EDs are drawing on average better remuneration compared to Men, courtesy to Sun TV.

Amount (in ₹ Cr)	2017-18			2018-19			2019-20		
Index / Ownership	MNCs			MNCs			MNCs		
	Men	Women	M/W	Men	Women	M/W	Men	Women	M/W
Nifty 50	6.02	NA		8.06	NA		7.97	NA	
Nifty Next 50	6.83	0.23	29.70	5.8	0.45	12.89	5.53	0.50	11.06
Mid Cap	3.11	3.01	1.03	3.36	2.97	1.13	3.76	3.97	0.95
Small Cap	2.15	1.57	1.37	2.65	1.77	1.50	2.31	0.06	38.50
Nifty 500 Index	3.61	2.41	1.50	3.9	2.35	1.66	3.91	2.5	1.56

In MNC category it appears that gender bias on average is more pronounced and is higher compared to INC category. It appears that it could be result of extremely high bias in Nifty Next 50 category. Also, one thing to be borne in mind is that during FY 2019-20, MNC had only 5 women EDs (6 in FY 2018-19) in aggregate across all Index. 3 EDs in Mid Cap and one each in Small Cap and Next 50. Nifty 50 MNC did not have any women ED.

- Women ED remuneration in MNC in Next 50 Index is only ₹ 20-50 lacs during the past years. There is a lone women ED in that category viz., Ms. Rishma Kaur of Berger Paints. Similarly, Ms. Bina Modi is only women ED in Nifty Small Cap,

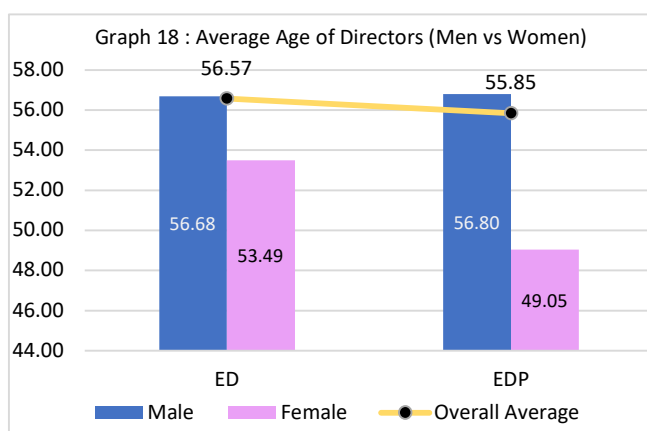
Table 99 tabulates women ED remuneration as percentage of men ED remuneration for both INC and MNCs

Index / Ownership	2017-18		2018-19		2019-20	
	INCs	MNCs	INCs	MNCs	INCs	MNCs
Nifty 50	44%	NA	51%	NA	65%	NA
Nifty Next 50	97%	3%	54%	8%	89%	9%
Mid Cap	107%	97%	130%	88%	105%	106%
Small Cap	76%	73%	62%	67%	78%	3%
Nifty 500	84%	67%	81%	60%	84%	64%

- With the sole exception of NIFTY Mid Cap category across three years and for both MNC and INCs It appears that gender inequality is there and across the sample it has not improved in last three years.

- In the mid cap segment, a rosy picture is appearing as Ms. Kavery Kalanithi Promoter ED in Sun TV Ltd drew a remuneration of around ₹ 87.50 crores which has pushed the avg. women ED remuneration higher than their male counterparts in the Mid Cap segment.
- Similarly, in MNC Mid Cap there are 3 women EDs viz.,
 - Ms. Ashu Suyash of CRISIL with ₹ 5.6 crores
 - Ms. Puja Thakur of GlaxoSmithKline Pharma with ₹ 4.3 crores; and
 - Ms. Rashmi Satish Joshi Castrol India Ltd with ₹ 2 crores.
- Apart from Mid Cap segment, MNCs are scoring poorly on this parameter, probably owing to very handful of Women EDs. There were just 2 other EDP viz.,
 - Ms. Rishma Kaur of Berger Paints was paid ₹ 50 lacs, which was similar to another man EDP counterpart in the Company. ED-NP was paid approx. ₹ 4 crores.
 - Ms. Bina Modi of Godfrey Phillips with ₹ 6 lacs. Her son Mr. Samir Modi was paid almost ₹ 24 crores.
- Therefore, an obvious question arise as to what could be the possible reason for the remuneration difference?

The answer may just lie in understanding the average age of women in Executive directorship.



Graph 18 plots average age of M & W EDs,

The data clearly indicates that the average age of women directors is lower when compared with their men counterparts.

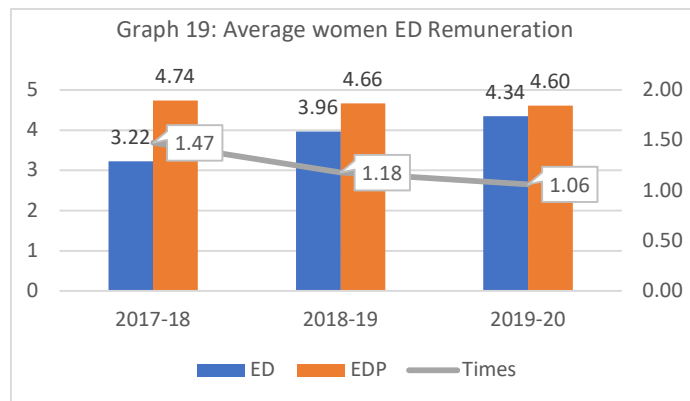
In case of ED-NPs, the age difference is around 3 years, while the difference in case of Promoter EDs is more than 7 years.

Therefore, it can be concluded that one

of the major factors leading to the difference in remuneration of women and men EDs could be attributable to the age difference as well.

Remuneration- Gender Bias -Promoter vs Non-Promoter

Graph 19 indicates the difference in avg. women ED remuneration (in ₹ Cr) (Promoter vs Non-Promoter) for past 3 years.



- Skewness / difference in remuneration paid to women ED-NPs and EDPs is observed across three years.
- However, the gap is closing in and has come down from almost 1.50 times in FY 2017-18 to 1.06 in FY 2019-20.

Table 100 lists Top 5 women EDs in terms of absolute remuneration during FY 2019-20.

Name of the director	P /NP	Company	INC /MNC	Index	Rem.	% of PAT	% of TBR
Kavery Kalanithi	EDP	Sun TV Network Ltd	INC	Mid Cap	87.50	6.38%	48.76%
Umadevi Chigurupati	EDP	Granules India Ltd	INC	Small Cap	16.45	3.70%	41.46%
Vinita Singhania	EDP	JK Lakshmi Cement Ltd	INC	Small Cap	14.79	6.29%	40.89%
Vinita Gupta	EDP	Lupin Ltd	INC	Next 50	12.83	1.76%	49.59%
Kalli Purie Bhandra	EDP	TV Today Network Ltd.	INC	Small Cap	9.35	6.58%	44.70%

Incidentally there is no company from NIFTY 50 and MNC

Table 101 lists Top 5 highest paid women ED in Non-Promoter category.

Director Name	Company Name	INC / MNC	Index	Total Pay (in Cr.)	Total Board Rem. (in Cr)
Renu Sud Karnad	Housing Development Finance Corporation Ltd	INC	Nifty 50	13.88	44.73
Vishakha Vivek Mulye	ICICI Bank Ltd	INC	Nifty 50	9.61	68.31
Vibha Umesh Padalkar	HDFC Life Insurance Company Ltd	INC	Nifty 50	5.65	12.7
Ashu Suyash	CRISIL limited	MNC	Mid Cap	5.59	7.15
Puja Thakur	Glaxosmithkline Pharma Ltd	MNC	Mid Cap	4.33	21.23

- There are only NIFTY 50 companies or MNCs
- Can one say that gender equality is better in NIFTY 50 and MNCs?

Remuneration-Gender Bias – Variable Pay

This section analysis the difference in variable pay component in women and men EDs.

Table 102 contains analysis of variable pay for EDs (Men & Women) across three year

Table 102: Variable Pay Analysis (Men vs Women)									
Year	FY 2017-18			FY 2018-19			FY 2019-20		
Category	Fixed	Variable	Variable %	Fixed	Variable	Variable %	Fixed	Variable	Variable %
Men (ED)	2.81	2.55	47.57%	3.12	2.55	44.97%	3.24	2.22	40.66%
Women (ED)	2.20	2.25	50.56%	2.19	2.36	51.87%	2.37	2.19	48.03%

Throughout all 3 years, data suggests that the remuneration of men EDs have marginally or negligible difference in variable pay when compared with the women EDs.

Top 5 women directors who have received highest amount of variable remuneration in FY 2019-20 are listed hereinbelow:

Table 103: Women Directors getting highest amount as variable pay – FY 2019-20							
ED name	P/NP	Company Name	INC/MNC	Index	Variable Pay	Total Pay	% of Variable
Kavery Kalanithi	EDP	Sun TV Network Ltd	INC	Mid Cap	73.63	87.50	84.15%
Umadevi Chigurupati	EDP	Granules India Ltd	INC	Small Cap	16.20	16.45	98.53%
Renu Sud Karnad	ED	Housing Development Finance Corporation Ltd	INC	Nifty50	7.74	13.88	55.78%
Vinita Singhania	EDP	JK Lakshmi Cement Ltd	INC	Small Cap	7.70	14.79	52.06%
Dipali Balkrishan Goenka	EDP	Welspun India Ltd	INC	Small Cap	6.13	8.82	69.51%

Top 5 men directors who have received highest amount of variable remuneration in FY 2019-20 are listed in Table 104.

Table 104: Men Directors getting highest variable pay vs Total pay – FY 2019-20							
ED name	P/NP	Company Name	INC/MNC	Index	Variable Pay	Total Pay	% of Variable
Kalanithi Maran	EDP	Sun TV Network Ltd	INC	Mid Cap	73.63	87.50	84.15%
Murali Krishna Prasad Divi	EDP	Divis Laboratories Ltd	INC	Nifty 50	51.59	52.36	98.53%
Pawan Munjal	EDP	Hero MotoCorp Ltd	INC	Nifty 50	46.75	84.59	55.27%
Galla Jayadev	EDP	Amara Raja Batteries Limited	INC	Mid Cap	43.03	45.43	94.72%
P R Rajha Venketrama Raja	EDP	The Ramco Cements Ltd	INC	Mid Cap	39.56	41.01	96.46%

Remuneration – Promoter Executive

Legal Requirement

Data seem to suggest that Executive remuneration in India Inc is skewed in favour of Promoters. Even the Regulator has acknowledged it. Therefore, pursuant to the recommendation made by the Kotak Committee (constituted by SEBI, to improve the Corporate Governance norms in India), SEBI introduced various amendments to the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 ('SEBI Listing Regulations').

One such amendment was made with respect to Executive Director also. The amendment was intended to keep a check over excess Promoter Remuneration.

Legal Provisions	
Regulation 17(6)(e) of SEBI LODR	
<i>“(e) The fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-</i>	
<i>(i) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or</i>	
<i>(ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:</i>	
<i>Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.</i>	
<i>Explanation: For the purposes of this clause, net profits shall be calculated as per section 198 of the Companies Act, 2013.”</i>	

This amendment was effective from 1st April, 2019. It intends to regulate not only individual promoter remuneration but also where more than 1 Promoter EDs together are drawing remuneration in excess of 5% of Net Profits.

Remuneration-Individual Promoter threshold breached

Data in Table 107 tabulates Remuneration range and number of EDs in that range.

It may be noted that while the law considers net Profits computed u/s 198 of the Companies Act, 2013, however, this study has taken Net Profits as per the Profit and Loss of the Company. Therefore, the Table 105 is not a strict representation of % remuneration as per the above provision.

Total ED Rem. (₹. in Crores)	EDPs (FY 2019-20)	
	No.	%
0.0-50	45	9.20%
0.50 to 1	36	7.36%
1 to 3	146	29.86%
3 to 5	87	17.79%
More than 5	175	35.79%
Total	489	100%

- It can be seen that 175 (36%) Promoter Executive directors were paid remuneration in excess of the ₹ 5 crores.
- These directors have breached the primary threshold of the SEBI provision. and probably would require approval from shareholders if they breached 2.5% & 5% rule.
- See Table 109 for 2.5% Individual Limit for EDPs.
- Analysis for 5% aggregate EDPs is done in the subsequent section. See Table 109.

Table 106 has distribution of EDs (P vs NP) drawing > Rs 10 Cr. Observation of Table 108 are:

Index / Ownership	P/NP	10 to 25		25 to 50		> ₹ 50		Total
		INC	MNC	INC	MNC	INC	MNC	
Nifty 50	EDP	7	0	3	0	2	0	12
	ED-NP	19	2	10	0	0	0	31
Next 50	EDP	12	0	0	0	0	0	12
	ED-NP	10	1	2	0	0	0	13
Mid Cap	EDP	26	0	6	0	2	0	34
	ED-NP	13	3	0	0	0	0	16
Small Cap	EDP	22	1	1	0	0	0	24
	ED-NP	7	0	0	0	0	0	7
Nifty 500 Index	EDP	67	1	10	0	4	0	82
	ED-NP	49	6	12	0	0	0	67
	Total	116	7	22	0	4	0	149

- A total of 149 ED including 82 EDPs are drawing more than ₹ 10 Cr.
- There is no ED in MNC drawing remuneration over ₹ 25 Crores, while, there are 26 EDs in INC category.
- No ED-NP can be seen in more than ₹ 50 crores category, however, 4 EDPs are drawing remuneration in excess of ₹ 50 Cr.

- As we move towards the lower end of the spectrum, the number of ED-NPs drawing more than ₹ 10 Crores keep decreasing, on the other hand the number of EDPs keep increasing till Mid Caps.
- Overall assessment indicates that remuneration is in favour of EDPs, except in the Nifty 50 category. In Next 50 category, not much of a difference is seen between EDPs and ED-NPs if one looks at the total number in the last column of Table 106.

Table 107 gives distribution of 175 EDPs (Table 107) drawing more than Rs 5 Crore with % of Profits.

Individual EDPs Remuneration as % of Net Profit	No. of EDPs with more than Rs. 5 crore remunerations
Loss Making	1
0-2.5%	89
2.50-5%	52
5-10%	25
10%+	8
Total	175

A word of caution is added here again, that the analysis is based on treating declared PAT being same as Profit under section 198. It is understood that these two profit figures would be different, however barring few cases the results would not be impacted.

We can conclude that 85 EDPs (out of 175 EDPs) who were paid remuneration in excess of ₹ 5 crores would have breached the 2.5% Net Profits

limit as well. Therefore, these Companies would have to seek specific approval from shareholders by way of a special resolution.

Top 5 highest paid EDPs who received remuneration more than ₹ 5 crores and also more than 10% of Net Profits are depicted in Table 108:

Table 108: Top 5 highest paid EDPs in terms of % of net profit greater than 10%					
Name of the Director	Name of the Company	Index	Total Pay (₹ in Crores)	Net Profit (₹ in Crores)	% of Net Profit
Manish Gupta	Gujarat Ambuja Exports Ltd	Small cap	20.31	145.84	13.93%
Puneet Yadu Dalmia	Dalmia Bharat Limited	Mid Cap	19.64	135.00	14.55%
Gautam Dalmia	Dalmia Bharat Limited	Mid Cap	14.98	135.00	11.10%
Ajay Bijli	PVR limited	Small cap	13.65	30.16	45.26%
Gautamhari Singhania	Raymond Ltd	Small cap	10.05	94.32	10.66%

Mr. Manish Gupta of Gujarat Ambuja is the highest remunerated director with more than ₹ 20 crores forming almost 15% of the Net Profits of the Company. In percentage terms, Mr. Ajay Bijli of PVR is the highest EDP with almost 46% of Net Profits taken as his remuneration.

Remuneration- Beyond Aggregate Promoter threshold

Table 109 lists number of companies (97) having more than 1 EDP and drawing more than Rs 5 Crore

Table 109: Remuneration paid to EDPs (more than 1) aggregating > ₹ 5 Crores	
% of Net Profit	No. of Companies
SEBI >0% to 2.5%	15
>2.5% to 5%	29
>5% to 10%	39
More than 10%	14
Total	97

to evaluate possibility of breach of second benchmark of Remuneration limit prescribed in SEBI LODR (Remuneration in aggregate > 5%). Only Profit making Companies have been included.

A total of 53 companies breached the limit, therefore these companies would require permission from shareholders for executive remuneration.

Table 110 lists Companies with highest EDP remuneration which is also exceeding 10% of Net Profits, subject to a minimum aggregate remuneration of ₹ 5 crores.

Table 110: Top 5 highest paid EDPs in terms of % of net profit greater than 10% & > ₹ 5 Crores					
Name of the Company	Ownership	Index	Total EDP Rem.	PAT	Total EDP Rem / PAT
Sun TV Network Ltd	INC	Mid Cap	176.22	1371.83	12.85%
Ratnamani Metals & Tubes Ltd	INC	Small Cap	36.00	307.50	11.71%
Dalmia Bharat Limited	INC	Mid Cap	34.62	135.00	25.64%
Relaxo Footwears Ltd	INC	Mid Cap	30.94	226.25	13.67%
JK Lakshmi Cement Ltd	INC	Small Cap	26.39	235.23	11.22%

All the above Companies are INCs, and belong to the lower end of the spectrum in terms of their size. Sun TV Networks is way ahead of the rest in terms of absolute total EDP remuneration.

Remuneration-Executive Remuneration & Median Employee's Remuneration (MRE)

Companies Act, 2013 has mandated Companies to provide in its Board's Report, ratio of its Directors remuneration to the median employee's remuneration (MRE).

MRE Data for 41 Companies was not available in the Annual Report, these have been excluded from analysis. Further, details of MRE appeared incorrect for Bharat Rasayan Ltd unless one is to believe that their median employee is paid an annual remuneration of less than ₹ 4,000 translating into roughly ₹ 13/- per day considering 26 working days.

Therefore, Table 111 excludes data from 42 Companies. It depicts ratio of ED remuneration to the MRE for a period of 3 years (Promoter vs Non-Promoter).

Financial Year	2017-18		2018-19		2019-20	
Ownership	ED-NP	EDP	ED-NP	EDP	ED-NP	EDP
Nifty 50	137	217	182	276	150	292
Nifty Nxt 50	141	193	119	178	101	167
Nifty Mid Cap	94	180	78	165	67	164
Nifty Small cap	66	131	97	332	68	343
Nifty 500 Index	95	154	107	268	85	275

Heat map clearly depicts reddish tone in the Promoter ED segment and a much greener tone to the Non-Promoter ED category. This is another parameter suggesting that the remuneration between EDP and ED is favouring

Promoters.

While Remuneration Ratio to MRE in case of ED-NP has declined over three year period, it has increased in case of EDPs. indicating that relatively gap is closing between EDNP and other employees, it was increasing between EDP and other employees. Indicating disproportionate growth rates.

Table 112 provides a list of Top 10 Executive Directors in terms of highest remuneration ratio to MRE during FY 2019-20.

Director Name	Company Name	P / NP	INC / MNC	Nifty Index	Ratio
Galla Jayadev	Amara Raja Batteries Ltd	P	INC	Mid Cap	2,223
Murali Krishna Divi	Divis Laboratories Ltd	P	INC	Nifty 50	1,273
Manish Gupta	Gujarat Ambuja Exports Ltd	P	INC	Small Cap	1,140
Devendra Jain	Dilip Buildcon Ltd	P	INC	Small Cap	766
Pawan Munjal	Hero MotoCorp Ltd	P	INC	Nifty 50	751
Ajay Singh	SpiceJet Ltd	P	INC	Small Cap	750
Anup Bagchi	ICICI Bank Ltd	NP	INC	Nifty 50	746
Ramesh Dua	Relaxo Footwears Ltd	P	INC	Mid Cap	703
Mukand Lal Dua	Relaxo Footwears Ltd	P	INC	Mid Cap	703
Dilip Suryavanshi	Dilip Buildcon Ltd	P	INC	Small Cap	681

Ratio = ED Rem / MRE (in times)

Kalanithi Couple Promoters of SunTV Networks would also have featured in this list, had the Company provided disclosure of MRE, since the remuneration of each of the couple is higher than the highest in the Table 112.

REMUNERATION – NON-EXECUTIVE DIRECTOR

A Non-Executive Director ('NED') by definition, is a part-time director, who does not engage himself in the day-to-day affairs of the Company. NEDs play a vital role in policy making and strategic guidance by way of their participation in the meetings of the Board of Directors. A NED may be Independent as well as Non-independent. Analysis in this section covers the remuneration data of Non-Executive Non-Independent Directors (referred to as 'NE-NID'), since remuneration analysis is separately done in the subsequent section for Independent Directors (IDs).

Provision regarding threshold for payment of remuneration to NEDs (including IDs) are contained under section 197(1)(ii) of the Companies Act, 2013.

Legal Provision

Proviso to Section 19(1) of the Companies Act, 2013

Provided further that, except with the approval of the company in general meeting by a special resolution, —

- (i)*
- (ii) the remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed,—*

(A) one per cent. of the net profits of the company, if there is a managing or whole-time director or manager;

(B) three per cent. of the net profits in any other case.

.....

*(3) Notwithstanding anything contained in sub-sections (1) and (2), but subject to the provisions of Schedule V, if, in any financial year, a company has no profits or its profits are inadequate, the company shall not pay to its directors, including any managing or wholetime director or manager **or any other non-executive director, including an independent director**, by way of remuneration any sum exclusive of any fees payable to directors under sub-section (5) hereunder except in accordance with the provisions of Schedule V*

While law prescribes Net Profit as computed in accordance with section 198 of the Companies Act, 2013, however, the Net Profit taken for the purpose of this Report is the Net Profit reported as per the Profit and loss Account.

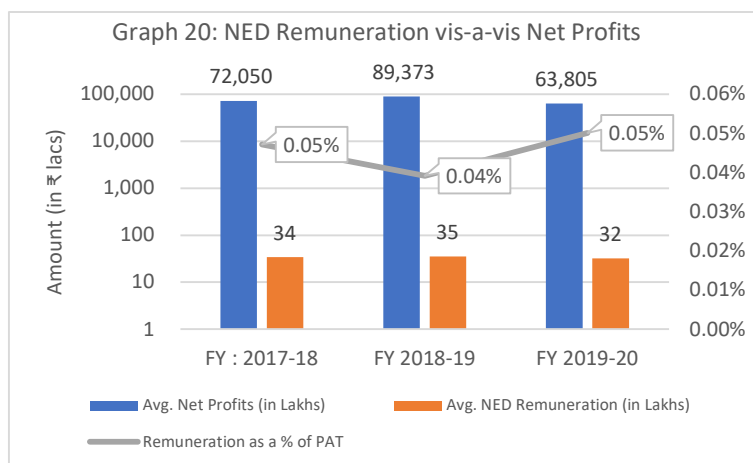
Remuneration for NED can be:

- sitting fee
- Profit linked commission.
- Other such as fees for carrying out additional tasks, consultancy, etc.

In March 2021, section 197(3) of the Companies Act has been amended (bold and italics above) by MCA to enable payment of remuneration to NEDs, even in case of inadequacy or loss, as per Schedule V to the Companies Act, 2013. Although, the above amendment is not applicable during the Report period, however, the same is only provided here to indicate the updated version of the remuneration provisions.

Remuneration – Non-Executive (basis Net Profits)

Graph 20 depicts average NE-NID remuneration of the Sample Companies vis-à-vis the Standalone Net Profits (in ₹ lacs) for the past 3 years.



- Average NED remuneration has been range bound, between ₹ 32 to 35 lacs per NED, for past 3 years.
- Average NED remuneration is around 0.05% of the total Net Profits of the Company.
- From the quantum perspective the remuneration appears insignificant when compared with the net Profits of the Company.

Table 113 lists NE-NID with maximum remuneration in absolute terms during FY 2019-20:

Director Name	Company name	P/ NP	INC /MNC	Index	Total Pay	TBR	Total pay / TBR
Sanjiv Goenka	CESC limited	P	INC	Mid Cap	35.02	41.02	85.37%
Galla Ramachandra Naidu	Amara Raja Batteries Ltd	P	INC	Mid Cap	27.26	72.90	37.39%
Rajinder Gupta	Trident Ltd	P	INC	Small Cap	22.72	28.03	81.06%
Sanjiv Goenka	Phillips Carbon Black Ltd	P	INC	Small Cap	15.69	28.04	55.96%
Ratan Jindal	Jindal Stainless (Hisar) Ltd	P	INC	Small Cap	10.70	19.10	56.03%

TBR: Total Board Remuneration

All belong to Indian Corporates and all are Promoters. Mr. Sanjiv Goenka of CESC Ltd is the highest paid NED with ₹ 35 crores comprising of 85% of the Total Board Remuneration. He also appears in 4th spot as he was paid ₹ 16 crores from Philips Carbon also.

In order to observe whether the Top 5 highly remunerated NE-NIDs for FY 2019-20 were only one-time affairs, or these people are consistently taking significant remuneration, Table 114 & 115 lists Top 5 NE-NIDs for FY 2018-19 & 2017-18, respectively.

Table 114 lists individuals who have received maximum remuneration during FY 2018-19:

Director Name	Company name	P/ NP	INC /MNC	Index	Total Pay	TBR	Total pay / TBR
Sanjiv Goenka	CESC Limited	P	INC	Mid Cap	32.84	39.49	83.16%
Galla Ramachandra Naidu	Amara Raja Batteries Ltd	P	INC	Mid Cap	23.82	63.77	37.35%
Krishna Kumar Bangur	Graphite India Limited	P	INC	Small Cap	20.02	26.83	74.61%
Yogesh Chander Deveshwar	ITC Limited	NP	INC	Nifty 50	16.62	35.78	46.45%
Rajinder Gupta	Trident Limited	P	INC	Small Cap	16.3	19.59	83.21%

TBR: Total Board Remuneration

Late. Mr. Yogesh Chander Deveshwar is the lone Non-Promoter in the list. Remaining all are Promoter Directors with Mr. Sanjiv Goenka of CESC Ltd again leading the list.

Table 115 lists individuals who have received maximum remuneration during FY 2017-18:

Director Name	Company name	P/ NP	INC /MNC	Index	Total Pay	TBR	Total pay / TBR
Sanjiv Goenka	CESC Limited	P	INC	Mid Cap	32.30	37.62	85.86%
Galla Ramachandra Naidu	Amara Raja Batteries Ltd	P	INC	Mid Cap	23.32	62.43	37.35%
Yogesh Chander Deveshwar	ITC Limited	NP	INC	Nifty 50	19.40	44.94	43.17%
Kumar Mangalam Birla	UltraTech Cement Ltd	P	INC	Nifty 50	19.15	38.27	50.04%
Ratan Jindal	Jindal Stainless (Hisar) Ltd	P	INC	Small Cap	15.98	28.5	56.05%

TBR: Total Board Remuneration

The table 116 maps out 5 top paid NEDs of 2019-20 and with previous 2 year's top 5 NEDs

Sr. No.	Directors (List as per FY 2019-20)	Company	index	2019-20	2018-19	2017-18
1	Sanjiv Goenka	CESC limited	Mid Cap	Yes	Yes	Yes
2	Galla Ramachandra Naidu	Amara Raja Batteries Ltd	Mid Cap	Yes	Yes	Yes
3	Rajinder Gupta	Trident Ltd	Small Cap	Yes	Yes	No
4	Sanjiv Goenka	Phillips Carbon Black Ltd	Small Cap	Yes	No	No
5	Ratan Jindal	Jindal Stainless (Hisar) Ltd	Small Cap	Yes	No	Yes

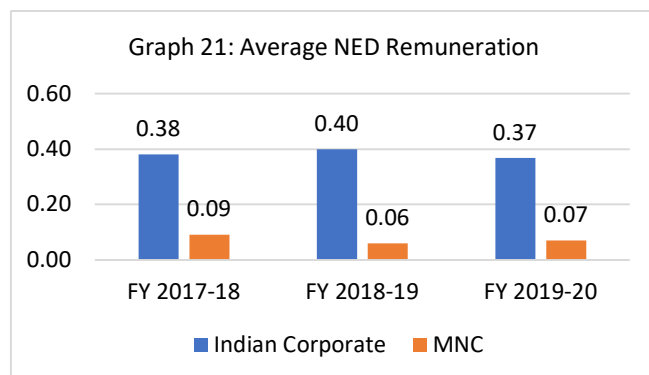
All 5 highest paid NEDs are promoters

- Across three year period all the highest paid NEDs belong to INCs.
- Except late. Mr. Y C Deveshwar, (2017-18 & 2018-19) all are Promoter NEDs.
- Except ITC (NIFTY 50) in 2017-18 & 2018-19 all others are from Mid Cap/ Small Cap

Clearly indicating that Promoter NEDs are way ahead in terms of remuneration when compared with their Non-Promoter counterparts.

Remuneration – Non-Executive (INC vs MNC)

Graph 21 depicts average NED remuneration paid to directors in different Companies in the sample for 3 years.



As expected, Indian Corporates have been paying higher remuneration to the NEDs during all the 3 years.

Average NED remuneration in MNC during FY 2019-20 stood at around ₹ 7 lakhs compared to the approx. ₹ 37 lakhs in case of Indian Corporate NEDs, which more than 5x.

Table 117 in the form of Heat Map studies avg. NE-NID remuneration during past 3 years on the basis of Index and Ownership.

Financial Year	2017-18		2018-19		2019-20	
Ownership	INC	MNC	INC	MNC	INC	MNC
Nifty 50	90	62	85	26	56	NA
Nifty Nxt 50	45	10	35	3	30	5
Nifty Mid Cap	44	9	47	5	43	5
Nifty Small cap	21	7	25	8	28	11
Nifty 500 Index	38	9	40	6	36	7

NA: No NE-NIDs in Nestle and HUL (Nifty 50 MNCs)

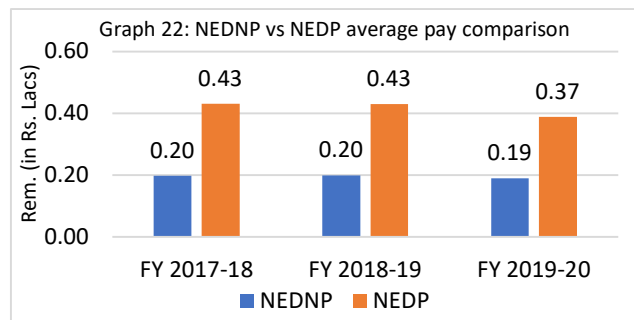
NED remuneration is highest amongst Nifty 50 Companies during all 3 years. However, during FY 2018-19 & 2019-20, NED remuneration in Mid-Caps has been higher than that of Nifty Next 50 Companies.

Observation on Table 117 are as follows:

- Many MNCs have representative of the Parent Companies sitting on the Board as NEDs and generally do not draw any remuneration from the Company. During FY 2019-20, 40 MNCs did not pay any remuneration to their 118 Directors belonging to parent organisation.
- remuneration in Indian Corporates is almost 4-5 times of their MNC counterparts.
- Is this because any skewed remuneration practice between promoter and non-promoter?

Remuneration -NED- Promoter vs Non-Promoter

Graph 22 depicts that average remuneration paid to Promoter & Non-Promoter NED (excluding IDs)



- NEDP remuneration at ₹ 43 lakhs during FY 2017-18, was twice compared to NEDNP remuneration
- This decreased to Rs. 37 lakhs in FY 2019-20. Similarly, remuneration for Non-Promoter NEDs has decreased marginally from Rs. 20 lakhs to Rs. 19 lakhs during the same period.

Table 12018 has NED remuneration data in the form of Heat Map for 3 years on the basis of Ownership and Index analysing Promoter vs Non-Promoter NED remuneration:

Amount (in ₹ lacs)	Table 118: Avg. NED remuneration (Promoter vs Professional)											
	2017-18				2018-19				2019-20			
	INCs		MNCs		INCs		MNCs		INCs		MNCs	
Index / Ownership	NED-NP	NEDP	NED-NP	NEDP	NED-NP	NEDP	NED-NP	NEDP	NED-NP	NEDP	NED-NP	NEDP
Nifty 50	90.75	89.22	62.00	NA	91.07	81.41	25.50	NA	79.39	44.59	NA	NA
Next 50	19.35	53.06	20.29	4.89	18.11	37.53	9.30	1.20	41.21	28.52	7.41	2.21
Mid Cap	16.46	61.35	33.46	2.75	10.45	65.52	17.22	2.46	9.70	58.70	16.61	3.06
Small Cap	5.90	33.21	1.44	8.64	7.65	37.85	1.93	8.92	8.28	39.18	48.83	7.68
Nifty 500	20.00	51.00	22.00	5.00	20.59	50.59	11.90	4.26	19.14	43.46	17.25	4.63

Note: NEDs who are nominees or representatives of Promoter Company are considered Promoters.

Observation of Table 118 are as follows:

- The data in Table 118 reveals that MNCs are paying to their promoter NEDs almost 10% of what INCs are paying to its NEDPs
- The skewedness increases between NEDP vs NEDNP as one goes down the index

- MNCs are having a reverse skewed behaviour as they are paying more to Non-Promoters than to promoters.

Table 119 provides list of Top 5 NED-NPs in terms of remuneration (absolute terms) drawn during FY 2019-20.

Director Name	Company name	INC/ MNC	Index	Rem.	TBR	Rem. % to TBR.
Radhakrishnan Sethuraman	<i>Cipla Ltd</i>	INC	Nifty 50	6.73	33.51	20.08%
Anilkumar Manibhai Naik	<i>Larsen & Toubro Ltd</i>	INC	Nifty 50	6.18	72.49	8.53%
Kamal Kishore Sharma	<i>Lupin Ltd</i>	INC	Next 50	3.24	25.87	12.54%
Deepak Shantilal Parekh	<i>Housing Development Finance Corporation Ltd</i>	INC	Nifty 50	2.47	44.73	5.52%
Satyanarayan Goel	<i>Indian Energy Exchange Ltd</i>	INC	Small Cap	2.17	5.62	38.59%

TBR: Total Board Remuneration.

All the above Companies are Indian Corporates. Mr. R Sethuraman of Cipla is the highest paid Promoter NE-NID with around ₹ 6.75 crores forming 20% of total Board remuneration. A comparison can be drawn vis-à-vis highest paid NEDP viz., Sanjiv Goenka drawing ₹ 35 crores of remuneration (Table 113)

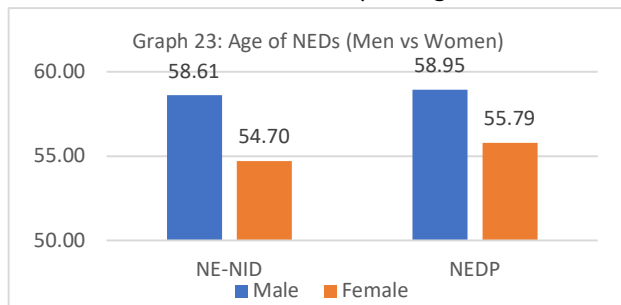
NED Remuneration – Gender Equality

Table 120 in the form of heat map depicts the difference in NED remuneration based on Gender across Indices over 3 year period.

Index	2017-18			2018-19			2019-20		
	NED-M	NED-W	Ratio M/W	NED-M	NED-W	Ratio M/W	NED-M	NED-W	Ratio M/W
Nifty 50	98	43	2.28	91	41	2.22	59	39	1.51
Nifty Next 50	42	20	2.10	33	8	4.13	27	12	2.25
Mid Cap	41	7	5.86	41	7	5.86	38	10	3.80
Small Cap	23	4	5.75	27	5	5.40	30	6	5.00
Nifty 500	38	11	3.45	40	10	4.00	35	12	2.92

- Gender bias is clearly visible as far as NED remuneration is concerned.
- Bias is universally seen across years and across indices

- Maximum bias is seen in mid cap and small cap companies
- No trend is seen on change as overall bias increased in 2018-19, but decreased in 2019-20
- On an overall basis, the gap has been the least in FY 2019-20, however, a gap of almost 3x in favour of Men NEDs is still quite significant.



- Even age difference of 3-4 year (Graph 23) between women & men cannot rationalise this difference.

Table 121 depicts list of Top 5 women NEDs taking highest remuneration in FY 2019-20:

Table 121: Top 5 women NEDs taking highest Rem. (Absolute terms)							
Name of the NED (W)	P /NP	Company	INC /MNC	Index	Rem.	% of PAT	% of TBR
Rajshree Birla	P	UltraTech Cement Ltd	INC	Nifty 50	1.24	0.02%	3.61%
Nita Ambani	P	Reliance Industries Ltd	INC	Nifty 50	1.22	0.00%	1.35%
Rajshree Birla	P	Grasim Industries Ltd	INC	Nifty 50	1.22	0.10%	8.58%
Rajshree Birla	P	Hindalco Industries Ltd	INC	Nifty 50	1.11	0.18%	2.72%
Sonali Dhawan	NP	Gillette India Limited	MNC	Mid Cap	0.80	0.35%	28.73%

All except Ms. Sonali Dhawan, all are Promoter directors. Mrs. Rajshree Birla features in the list thrice.

Table 122 lists Top 5 Companies where Average NE-NID Women remuneration has been higher than their Men counterparts during FY 2019-20.

Table 122: NE-NID Avg Rem (in ₹ Cr) (Men vs Women)					
Company	Index	NE-NID (P & NP)			Highest Paid NED(W) [Rem in ₹ Cr]
		AMR	AWR	AWR /AMR	
UltraTech Cement Ltd	Nifty 50	0.02	1.24	61.75	Rajshree Birla [1.24]
Hindalco Industries Ltd	Nifty 50	0.12	1.11	9.07	Rajshree Birla [1.11]
HCL Technologies Ltd	Nifty 50	0.11	0.76	6.91	Roshni Nadar Malhotra [0.76]
Grasim Industries Ltd	Nifty 50	0.11	0.64	5.95	Rajshree Birla [1.22]
Gillette India Limited	Mid Cap	0.14	0.80	5.62	Sonali Dhawan [0.80]

AMR: Avg. Men Remuneration; AWR: Avg. women Remuneration.

3 out of Top 5 Companies feature mainly due to the remuneration drawn by Ms. Rajshree Birla from 3 Birla Company. Other 2 women NE-NIDs are Roshni Nadar (NEDP) and Ms. Sonali Dhawan (NED-NP) of Gillette.

Table 123 & 124 lists Companies with highest Pay Gap, both in favour of Men and Women during FY 2019-20.

Non-Promoter Non-Executive Directors.

Table 123: Average NED-NP Pay Gap (Men vs Women) – FY 2019-20							
Pay (in ₹ Crores) in favour of Men				Pay (in ₹ Crores) in favour of Women			
Company	AMR	AWR	Pay Gap	Company	AMR	AWR	Pay Gap
Larsen & Toubro Ltd	2.14	0.26	1.89	Gillette India Limited	0.14	0.80	0.66
CARE Ratings Limited	0.21	0.08	0.13	Ambuja Cements Ltd.	0.17	0.35	0.18
Grasim Industries Ltd	0.15	0.07	0.08	Multi Commodity Exchange of India Ltd.	0.11	0.11	-

AMR: Avg. Men Remuneration; AWR: Avg. women Remuneration.

Promoter Non-Executive Directors.

Table 124: Average NEDP Remuneration Gap (Men vs Women) – FY 2019-20							
Pay (in ₹ Crores) in favour of Men				Pay (in ₹ Crores) in favour of Women			
Company	AMR	AWR	Pay Gap	Company	AMR	AWR	Pay Gap
Jindal Stainless (Hisar)	10.70	0.02	10.68	UltraTech Cement Ltd	0.03	1.24	1.21
Phillips Carbon Black	7.89	0.09	7.80	Grasim Industries Ltd	0.03	1.22	1.19
Sundram Fasteners Ltd	2.92	0.02	2.90	Hindalco Industries Ltd	0.03	1.11	1.08

AMR: Avg. Men Remuneration; AWR: Avg. women Remuneration.

Chairpersons' Remuneration- Non-Executive (NED-NID(C)) remuneration growth:

A Chairman is the head of the Board of a Company, therefore, a chairperson by the virtue of his position has to shoulder additional responsibility compared to a normal Board member. This section analysis the remuneration pattern of Non-Executive Chairperson (excluding IDs) in Nifty 500 Index Companies.

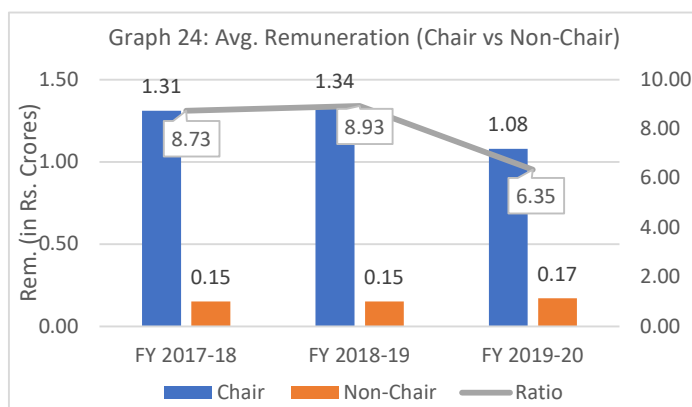
Before going to remuneration, Table 125 lists out number of NE-NID Chairman in Nifty 500 Companies.

No. of Directors	FY 2017-18	FY 2018-19	FY 2019-20
NE-NID (Chair)	169	181	186
NE-NID (Non-Chair)	842	862	867
Chair/ Non-Chair (%)	20.1%	21.0%	21.5%

NE-NIDs Chairperson are increasing marginally. More than 20% of total NE-NID are chairpersons of their respective Companies.

Chairperson vs Non-Chairperson Remuneration

Graph 24, depicts Remuneration of NED-Chair as well as non-chair. There were 186 NE-NID Chairpersons during FY 2019-20.

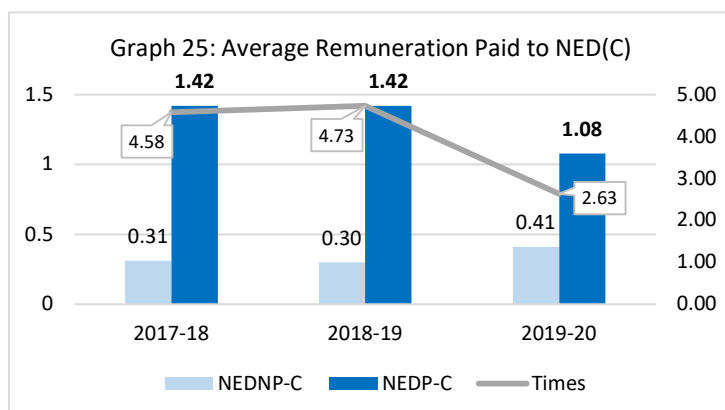


- Remuneration of Non-Chair NEDs has remained constant at ₹ 17 lacs.
- The remuneration of a NED Chairman is around 6-9x that of the Non-Chair director.
- Further, data suggest that the gap has reduced in FY 2019-20, mainly as the remuneration of Chairperson is declining.

Remuneration- Promoter vs Non-Promoter Chairperson (excluding IDs)

Graph 25 indicates how the average chairperson remuneration (as depicted in Graph 24) was contributed. Two data points were excluded as they were outliers and would have distorted analysis.

During, 2019-20 average chairperson remuneration of ₹ 71 lac was in fact average of Promoter Chairperson drawing ₹ 1.07 Cr and Non-Promoter chair drawing ₹ 29 lac only.



If one can justify that chair has additional responsibility that is why chair gets paid more compared to Non Chair, however, what explains differential between promoter vs non promoter chair differential of almost 3-4 times, except that promoters are exercising their influence?

Independent Chairperson have not been considered for this Graph, as their remuneration analysis have been done separately in ID section.

Differential between Promoter and Non-Promoter has reduced over last three years. Can we say it is because investors are having say on pay?

The gap between average NEDNID Chairman and NEDP chairman has reduced from 4.7 to less around 2.6 in FY 2019-20 YoY.

Remuneration-Chairmanship based on ownership

This section differentiates between how Indian Corporates and MNCs are remunerating the NED Chairperson of their Board.

Table 126, Average remuneration drawn by NED-NID Chairman during the last 3 years based on ownership.

Table 126: Average NE-NID Chairperson Remuneration (in ₹ Cr)					
Year	MNC*	INC		INC-P/ MNC	INC-P/ INC-NP
		NP	P		
2017-18	0.15	0.38	1.53	10.20	4.03
2018-19	0.19	0.32	1.52	8.00	4.75
2019-20	0.11	0.46	1.18	10.73	2.57
<i>*There are almost no Promoter NEDs in MNCs, therefore, no differentiation is made.</i>					

As expected, Promoter directors are highest paid NE-NID Chairperson in India INC.

NE-NID Chairperson in MNC are drawing very nominal remuneration which almost 1/10th of their NE-NID Promoter counterparts.

Within the INC space, Promoter NE-NID Chairpersons are drawing almost 3-4 times the remuneration of their Non-Promoter counterparts.

Tables 127 & 128 captures list of Top 5 and Bottom 5 NED chairpersons, based on remuneration during FY 2019-20.

Non-Promoter Non-Executive Chairperson

Top 5 highly remunerated Chairpersons (NP vs P) – FY 2019-20					
Table 127: 5 Highest Paid NED-NP Chairperson			Table 128: 5 Highest Paid NEDP Chairperson		
Director Name	Company Name	Rem. (in ₹ Cr)	Director Name	Company Name	Rem. (in ₹ Cr)
Anilkumar Manibhai Naik	Larsen & Toubro Ltd	6.18	Sanjiv Goenka	CESC limited	35.02
Yogesh Chander Deveshwar*	ITC Ltd	5.74	Galla Ramachandra Naidu	Amara Raja Batteries Limited	27.26
Deepak Shantilal Parekh	Housing Development Finance Corporation Ltd	2.47	Sanjiv Goenka	Phillips Carbon Black Ltd.	15.69
Satyanarayan Goel	Indian Energy Exchange Ltd	2.17	Ratan Jindal	Jindal Stainless (Hisar) Ltd	10.70
Ravindra Chandra Bhargava	Maruti Suzuki India Ltd	1.21	Harsh Vardhan Goenka	K E C International Ltd	6.29

*Remuneration is only for part of FY 2019-20.

NED (IDs included) Remuneration – Legal Perspective:

In the ED category, we analysed EDP remuneration from the SEBI Listing Regulations point of view. Similar, amendment was made in NED remuneration also by SEBI.

Legal Provisions

Regulation 17(6)(ca) of SEBI LODR

*(ca) The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a **single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors**, giving details of the remuneration thereof.*

While, the ED regulation was intended to keep remuneration of Promoters under check, the above provision is to minimise skewed board remuneration.

Table 129 provides a distribution of the number of NEDs who drew remuneration below and in excess of 50% of the total NED remuneration during FY 2019-20.

Individual Rem. as % of Total NED Remuneration	No. of NEDs		
	NED (ID + NEDNP)	NEDP	Total
90 to 100%	-	9	9
70 to 90%	5	11	16
50 to 70%	12	11	23
>0 to 50%	2,536	426	2,962
No remuneration	219	274	493
Total	2,772	731	3,503

The data in Table 129 indicates that total 48 Non-Executive directors (Including IDs) drew remuneration in excess of 50% of the total NED remuneration in FY 2019-20.

Out of these 48, only 17 were Professional NEDs (including IDs), while the remaining 31 are Promoter NEDs.

There were 9 NEDs (all Promoters) who had been paid more than 90% of the total NED

remuneration during FY 2019-20.

At the lower end of the spectrum, there were 493 NEDs, who were not paid any remuneration during FY 2019-20. See Table 115 to view NEDPs drawing highest Remuneration.

Table 130 lists out Top 5 Professional NEDs (including IDs), who have received maximum in percentage terms of total NED remuneration and also more than 50% of total NED remuneration.

Director Name	NE-NID / ID	Company Name	Index	Rem. (in Crores)	% Rem to TNR
Satyanarayan Goel	NED	Indian Energy Exchange Ltd	Small Cap	2.17	84.17%
Sanjay Majmudar	ID	AIA Engineering Ltd	Mid Cap	0.24	83.72%
Radhey Shyam Agarwal	ID	The Ramco Cements Ltd	Mid Cap	0.98	73.86%
Dhruv Prakash	NED	IndiaMART InterMESH Ltd	Small Cap	0.38	72.78%
Sandeep Mohanraj Singhi	ID	Adani Green Energy Ltd	Next 50	0.06	66.95%

TNR: Total NED (including ID) Remuneration.

All have been paid a remuneration in excess of 70% of the total Board remuneration.

REMUNERATION-INDEPENDENT DIRECTORS ANALYSIS

According to the provisions of the Companies Act, 2013, IDs can be paid sitting fee and profit linked commission. They can also be paid fees for tasks assigned to them by the Board.

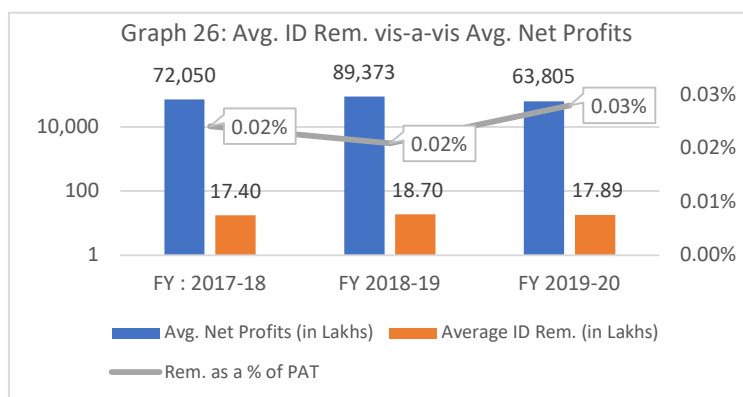
Legal Provisions

Section 149(9) of the Companies Act, 2013

(9) Notwithstanding anything contained in any other provision of this Act, but subject to the provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

Provided that if a company has no profits or its profits are inadequate, an independent director may receive remuneration, exclusive of any fees payable under sub-section (5) of section 197, in accordance with the provisions of Schedule V.

Graph 26, depicts Avg. Net Profits of Nifty 500 index Companies and average ID remuneration for the past 3 years.



- The average remuneration of Independent Directors has remained stable during the past 3 years.
- ID remuneration forms very negligible proportion of the Net Profits.

. Table 131 depicts ID remuneration data across indices, ownership and three year period

Financial Year	2017-18		2018-19		2019-20	
	INC	MNC	INC	MNC	INC	MNC
Nifty 50	47.30	21.32	50.00	24.00	47.00	21.00
Nifty Next50	25.73	20.31	29.00	18.90	27.00	22.00
Nifty Mid Cap	15.50	18.54	16.00	19.23	16.20	18.00
Nifty Small Cap	8.70	16.90	9.60	16.00	9.90	15.00
Nifty 500	17.31	18.46	18.70	18.63	17.89	18.00

Table 131 throws a very interesting data. While at Nifty 500 level average ID remuneration appears to be almost same at INC and MNCs.

However, across indices, while in MNC there is a very narrow difference index wise, in case of INCs the difference is as high as approximately 5- 6 times. In INCs remuneration increases as one moves from small cap to large cap.

Top 10 highest paid IDs for 2019-20, 2018-19 and 2017-18 are provided in Table 132, 133 & 134 respectively.

Table 132: Top 10 highest paid IDs for FY 2019-20 (in ₹ Crores)			
Director Name	Company Name	INC /MNC	Total Pay
William Arthur Owens	Wipro Ltd.	INC	2.70
Nanoo Pamnani	Bajaj Finance Ltd	INC	2.22
Om Prakash Bhatt	Tata Consultancy Services Ltd	INC	2.07
Patrick John Ennis	Wipro Ltd.	INC	1.99
Om Prakash Bhatt	Tata Steel Ltd	INC	1.77
Punita Kumar Sinha	Infosys Ltd	INC	1.74
Basab Pradhan	Coforge Ltd	INC	1.54
Patrick Dupuis (C)	Wipro Ltd.	INC	1.50
Yogendra Trivedi	Reliance Industries Ltd	INC	1.48
Raghunath Mashelkar	Reliance Industries Ltd	-INC	1.46

Majority of the Companies belong to Information Technology sector.

Williams Arthur Owens Tops the chart for FY 2019-20 at ₹ 2.7 crores remuneration earned from Wipro Ltd, followed by Late. Mr. Nanoo Pamnani from Bajaj Finance.

Mr. O P Bhatt is only ID who appears twice in the list.

Top IDs for FY 2018-19:

Table 133: Top 10 highest paid IDs for FY 2018-19 (in ₹ Crores)			
Director Name	Company Name	INC /MNC	Total Pay
Rajyalakshmi Meka Rao	Tech Mahindra Limited	INC	5.07
Aman Mehta	Tata Consultancy Services Ltd	INC	3.20
William Arthur Owens	Wipro Limited	INC	2.34
Ron Sommer	Tata Consultancy Services Ltd	INC	2.25
Om Prakash Bhatt	Tata Consultancy Services Ltd	INC	2.23
Nanoo Pamnani	Bajaj Finance Limited	INC	2.06
Yogendra Trivedi	Reliance Industries Ltd	INC	2.01
Raghunath Mashelkar	Reliance Industries Ltd	INC	1.99
Adil Zainulbhai	Reliance Industries Ltd	INC	1.95
Raminder Singh Gujral	Reliance Industries Ltd	INC	1.93

Again, Top 5 Companies comprise from the IT sector. Ms. Rajyalakshmi Rao leads the table with an income of over ₹ 5 crores, including ESOP value.

Mr. Aman Mehta of TCS earned ₹ 3.3 crores during FY 2018-19.

Top IDs for FY 2017-18:

Table 134: Top 10 highest paid IDs for FY 2017-18 (in ₹ Crores)			
Director Name	Company Name	INC /MNC	Total Pay
Aman Mehta	Tata Consultancy Services Ltd	INC	3.05
Ron Sommer	Tata Consultancy Services Ltd	INC	2.14
William Arthur Owens	Wipro Limited	INC	2.10
Om Prakash Bhatt	Tata Consultancy Services Ltd	INC	2.06
Thyagarajan Venkatraman	Tata Consultancy Services Ltd	INC	2.05
Yogendra Premkrishna Trivedi	Reliance Industries Ltd	INC	1.83
Raghunath Anant Mashelkar	Reliance Industries Ltd	INC	1.80
Om Prakash Bhatt	Tata Steel Limited	INC	1.80
Adil Zainulbhai	Reliance Industries Ltd	INC	1.79
Raminder Singh Gujral	Reliance Industries Ltd	INC	1.72

In FY 2017-18, Mr. Aman Mehta tops the list with an annual remuneration of over ₹ 3 crores from TCS.

Again, top 5 belong to the IT sector.

Mr. O P Bhatt is only ID who appears twice in the list

Data in Tables 132, 133 & 134 indicate that top remunerating companies are dominated by India's Top 2 Companies by Market Capitalisation viz., Tata Consultancy Services Ltd & Reliance Industries Ltd., with other IT Companies.

Interestingly, except for Mr. Patrick Dupuis, Chairperson of Wipro Ltd in FY 2019-20, none of the directors are holding position of the Chairman of the Board. This is because in most these company's chairman is a non ID.

Sr. No.	Directors	Company	2019-20	2018-19	2017-18
1	William Arthur Owens	Wipro Ltd.	Yes	Yes	Yes
2	Nanoo Gobindram Pamnani	Bajaj Finance Ltd	Yes	Yes	Yes
3	Om Prakash Bhatt	Tata Consultancy Services Limited	Yes	Yes	Yes
4	Patrick John Ennis	Wipro Ltd.	Yes	No	Yes
5	Om Prakash Bhatt	Tata Steel Ltd	Yes	No	No
6	Punita Kumar Sinha	Infosys Ltd	Yes	No	Yes
7	Basab Pradhan	Coforge Ltd	Yes	No	Yes
8	Patrick Lucien Andre Dupuis	Wipro Ltd.	Yes	No	Yes
9	Yogendra Premkrishna Trivedi	Reliance Industries Ltd	Yes	Yes	Yes
10	Raghunath Anant Mashelkar	Reliance Industries Ltd	Yes	Yes	Yes

Remuneration- Distribution Amongst ID

Even at the bottom end of the spectrum, an average ID remuneration is around ₹ 10 lacs. And remuneration gets higher with increase in size of the Company. (Table 131)

To get to a better picture IDs remuneration was further categorised in a range and results are tabulated in Table 136

Total ID Remuneration (in ₹)	No. of Independent Directors			% of IDs		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Below 5 lacs	722	729	728	32.57%	30.90%	29.70%
5 to 10 lacs	356	370	392	16.06%	15.68%	15.99%
10 to 15 lacs	323	317	320	14.57%	13.44%	13.06%
15 to 50 lacs	672	780	864	30.31%	33.06%	35.25%
50 lacs to 1 Crore	114	117	102	5.14%	4.96%	4.16%
More than 1 Crore	30	46	45	1.35%	1.95%	1.84%
Total	2,217	2,359	2,451	100%	100%	100%

There are 45 IDs who had received remuneration in excess of ₹ 1 crores during the last couple of years. This number was 30 in FY 2017-18.

Further, data reveals that in 2019-20, number of directors receiving remuneration below ₹ 5 lakhs were 728 which is almost 30% of total IDs. Similarly, almost 58.75% of IDs are receiving remuneration below ₹ 15 lacs which is below the overall average of ₹ 18 lacs as per Graph 26.

There were 4 Companies which did not pay any remuneration to its Independent Directors during FY 2019-20. These Companies are listed below:

Table 137: Companies paying no remuneration to IDs			
Company Name	Ownership	Index	Net Profits
Bharat Rasayan Ltd	INC	Small Cap	157.64
Swan Energy Ltd	INC	Small Cap	4.13
Rajesh Exports Ltd	INC	Mid Cap	403.29
Alok Industries	INC	Small Cap	1,223.19

While, NEDPs not taking remuneration is understandable to certain extent since they are ultimately the owners of the Company, however, IDs not paid remuneration is very intriguing to say

the least. Its not a case that these Companies are incurring losses, and are unable to pay their Directors due remuneration. All these Companies have reported profits during FY 2019-20.

Why would an individual devote his time and attention towards the affairs of a Company?

Data reveals that Alok Industries has not paid any remuneration to its IDs for 2 years. Bharat Rasayan, Swan Energy Ltd and Rajesh Exports Ltd did not paid any fee to its IDs since 2011. Working pro-bono for 10 years?

Answers would be best known to the Board of these Companies, especially the IDs.

ID Remuneration – Top Earners

Table 138 gives a list of 10 Independent Directors Total remuneration earned in 2019-20 and how much they earned in previous year. Remuneration paid from Nifty 500 Index Companies only has been grossed.

Table 138: Top 10 highest earning IDs in FY 2019-20 and their previous remuneration				
Director Name	Past Exp.	2019-20	2018-19	2017-18
Nanoo Pamnani	MNC Bank	4.63	4.19	2.44
Om Prakash Bhatt	PSU Bank Chairperson	4.29	5.45	4.23
Meleveetil Damodaran	Regulator	2.98	2.67	2.35
Shikha Sanjaya Sharma	Pvt Bank Chairperson	2.80	0.26	-
Ireena Vittal	MNC Consulting Firm	2.76	3.29	2.63
William Arthur Owens	Ex- US Navy	2.70	2.34	2.1
Arundhati Bhattacharya	PSU Bank Chairperson	2.64	1.28	-
Adil Zainulbhai	MNC Consulting Firm	2.64	3.14	2.76
Aman Mehta	MNC Bank	2.46	4.74	4.33
Punita Kumar Sinha	MNC AMC	2.43	2.26	2.15

The List has a decent mix of Gender with 4 women IDs also making to the list.

Ms Punita Sinha in opinion of SES is a PEP (Politically Exposed Person), three retired bank chairpersons, two MNC bank former senior executives. It has only one former regulator.

Remuneration IDs-Gender Equality

SEBI Regulations have mandated Top 500 Companies by market Cap to induct at least 1 women Independent Director on the Board of the Company. Is there any gender inequality amongst IDs?

Table 139 has data on IDs remuneration gender wise.

Financial Year	2017-18		2018-19		2019-20	
Ownership	Male	Female	Male	Female	Male	Female
Nifty 50	47.50	40.65	49.00	48.00	47.18	43.30
Nifty Next50	25.46	22.04	28.00	26.00	26.53	23.96
Nifty Mid Cap	15.86	16.18	17.00	16.00	16.37	16.73
Nifty Small Cap	9.10	9.32	10.00	9.00	10.39	9.43
Nifty 500	17.49	16.94	19.00	18.00	18.03	17.45

Overall, no gender bias is seen as far as ID remuneration is concerned across three years and all indices, although average ID remuneration is in tandem with relative standing of company in market cap.

Table 140 Lists Top 10 top remunerated women IDs during FY 2019-20:

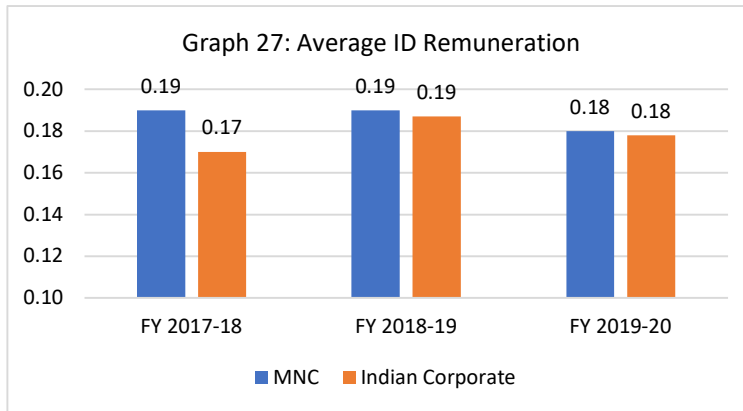
Director Name	Company Name	Chairman or not	INC /MNC	Index	Total Pay
					(in ₹Crores)
Punita Kumar Sinha	Infosys Ltd	No	INC	Nifty50	1.74
Hanne Birgitte Sorensen	Tata Consultancy Services Ltd	No	INC	Nifty50	1.45
Arundhati Bhattacharya	Reliance Industries Ltd	No	INC	Nifty50	1.32
Robin Ann Abrams	HCL Technologies Ltd	No	INC	Nifty50	1.29
Mallika Srinivasan	Tata Steel Ltd	No	INC	Nifty50	1.23
Shyamala Gopinath	Tata Elxsi Ltd.	No	INC	Small Cap	1.15
Shikha Sanjaya Sharma	Dr. Reddy's Laboratories Ltd	No	INC	Nifty50	1.14
Kalpana Jaisingh Morparia	Dr. Reddy's Laboratories Ltd	No	INC	Nifty50	1.14
Kiran Mazumdar Shaw	Infosys Ltd	No	INC	Nifty50	1.13
Ireena Vittal	Wipro Ltd.	No	INC	Nifty50	1.01

All have been paid remuneration in excess of ₹ 1 crores. 5 of the Top 10 directors are from IT Company.

Ms. Punita Kumar Sinha is the highest paid ID during FY 2019-20. Interestingly, none of the Top 10 hold the Chairperson position of the Board.

Remuneration-ID -Ownership distribution

Graph 27, indicates average ID remuneration across Indian Corporates and MNCs. Average remuneration of IDs in Indian Corporate is reflective of the total average of the Sample considered. This is because almost 90% of the Sample comprises of Indian Corporates only.



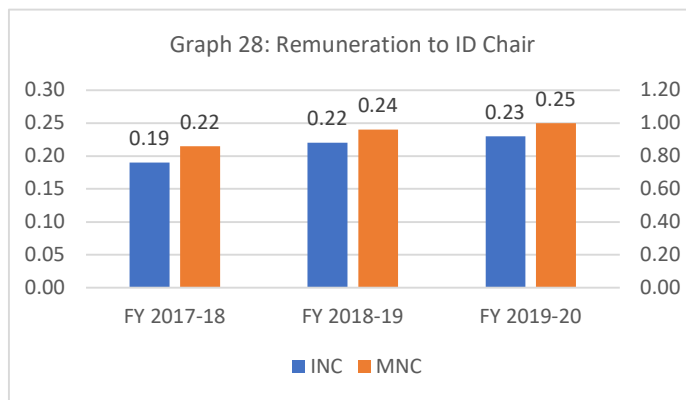
On an overall basis, ID remuneration in MNCs is a notch higher than the ID remuneration in Indian Corporate Companies.

However, the difference is not much therefore, nothing substantial can be observed from this graph in terms of differential remuneration practice. Except that the

difference was much wider in FY 2017-18 which in the past couple of years has been negligible.

Remuneration – Independent Chairperson

Graph 28 differentiates the remuneration of ID chair between INCs and MNCs.

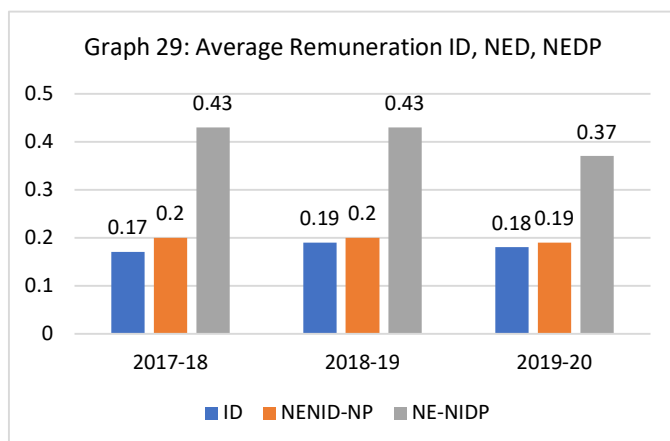


Data suggests that the remuneration of ID chairman has been slightly higher in case of MNCs compared with their Indian Corporate counterparts.

ID Chairman remuneration in case INCs and MNCs have been steadily increasing YoY for the past 3 years.

Remuneration – IDs vs NE-NIDs (Non-Promoters)

Independent Directors are a sub-category of Non-Executive Directors. This section compares the remuneration of Independent Directors with Non-Executive Non-Independent Directors (Non-Promoters & Promoters).



Graph 29 indicates that the remuneration of NENID-NP and IDs has been quite similar during the past 3 years. However, that of the NE-NIDP have been almost 2x or even higher than that of their other NED counterparts.

This Graph confirms extraction of ownership premium by the Promoter NEDs.

ANNEXURE I

List of 13 PSBs and 50 PSUs that form part of the NIFTY 500 as on 31st March, 2020 which have been excluded from Sample.

PSB		
S. No	Company Name	Entity Status
1	State Bank of India	Bank
2	Bank of Baroda	Bank
3	Punjab National Bank	Bank
4	Bank of India	Bank
5	Canara Bank	Bank
6	Union Bank of India	Bank
7	Bank of Maharashtra.	Bank
8	Central Bank of India	Bank
9	Indian Bank	Bank
10	Indian Overseas Bank	Bank
11	UCO Bank	Bank
12	Jammu and Kashmir Bank Ltd	Company
13	IDBI Bank Ltd	Company

PSU	
S. No.	Company Name
1	Coal India Ltd.
2	Oil & Natural Gas Corpn Ltd
3	NTPC Ltd
4	Power Grid Corporation of India Ltd
5	Indian Oil Corporation Ltd.
6	Bharat Petroleum Corporation Ltd
7	SBI Life Insurance Company Limited
8	SBI Cards and Payment Services Limited
9	GAIL (India) Ltd
10	Hindustan Petroleum Corporation Ltd.
11	NMDC Ltd
12	Power Finance Corporation Ltd
13	Container Corporation of India Ltd
14	NHPC Ltd
15	The New India Assurance Company Ltd
16	General Insurance Corporation of India
17	Bharat Electronics Ltd
18	REC Limited
19	Hindustan Aeronautics Ltd
20	Gujarat Gas Ltd
21	IRCTC Ltd
22	Gujarat State Petronet limited
23	Steel Authority of India Ltd
24	Oil India Ltd
25	SJVN limited
26	Bharat Heavy Electricals Ltd
27	RITES limited
28	NLC India Limited
29	ITI limited
30	National Aluminium Company Ltd.
31	Mangalore Refinery and Petrochemicals Ltd
32	Housing and Urban Development Corporation Ltd
33	Engineers India Ltd.
34	IRCON International Ltd
35	Cochin Shipyard Ltd
36	Bharat Dynamics Ltd
37	Mishra Dhatu Nigam Ltd
38	NBCC (India) Ltd.
39	Rail Vikas Nigam Limited
40	MOIL Ltd
41	Hindustan Copper Ltd
42	BEML Ltd
43	MMTC Ltd.
44	Shipping Corporation of India Ltd
45	Garden Reach Shipbuilders & Engineers Ltd
46	Rashtriya Chemicals & Fertilizers Ltd
47	Balmer Lawrie & Co. Ltd
48	Gujarat Mineral Development Corporation Ltd
49	Chennai Petroleum Corporation Ltd
50	National Fertilizers Ltd.

List of Companies (FY 2019-20) as per Industry wise:

Industry / Sector	Total No. of Companies
AUTOMOBILE	29
CEMENT & CEMENT PRODUCTS	15
CHEMICALS	24
CONSTRUCTION	26
CONSUMER GOODS	73
FERTILISERS & PESTICIDES	10
FINANCIAL SERVICES	65
HEALTHCARE SERVICES	7
INDUSTRIAL MANUFACTURING	42
IT	23
MEDIA & ENTERTAINMENT	12
METALS	13
OIL & GAS	8
PAPER	2
PHARMA	41
POWER	8
SERVICES	23
TELECOM	6
TEXTILES	9
Total	436

Annexure III

S. No.	Newly Listed entities included in FY 2018-19	Reason
1	AAVAS Financiers Limited	Initial Public Offer
2	Adani Gas Ltd	Restructuring
3	Adani Green Energy Limited	Restructuring
4	Chalet Hotels Limited	Initial Public Offer
5	Dalmia Bharat Limited	Restructuring
6	HDFC Asset Management Company Limited	Initial Public Offer
7	IIFL Wealth Management Ltd.	Restructuring
8	Indiamart Intermesh Ltd.	Initial Public Offer
9	Polycab India Ltd	Initial Public Offer
10	Solara Active Pharma Sciences Ltd	Restructuring
11	TCNS Clothing Co. Ltd	Initial Public Offer

S. No.	Newly Listed entities included in FY 2019-20	Reason
1	ABB Power Products and Systems India Ltd	Restructuring
2	Affle (India) Ltd	Initial Public Offer
3	CSB Bank Ltd	Initial Public Offer
4	Gujarat Fluorochemicals Ltd	Restructuring
5	Metropolis Healthcare Ltd	Initial Public Offer
6	Sterling and Wilson Solar Ltd	Initial Public Offer
7	Sumitomo Chemical India Ltd	Restructuring
8	Suven Pharmaceuticals Ltd	Restructuring
9	Ujjivan Small Finance Bank Ltd	Initial Public Offer

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