

# Promoter CEO Compensation

## Overview: Large Cap Companies in India

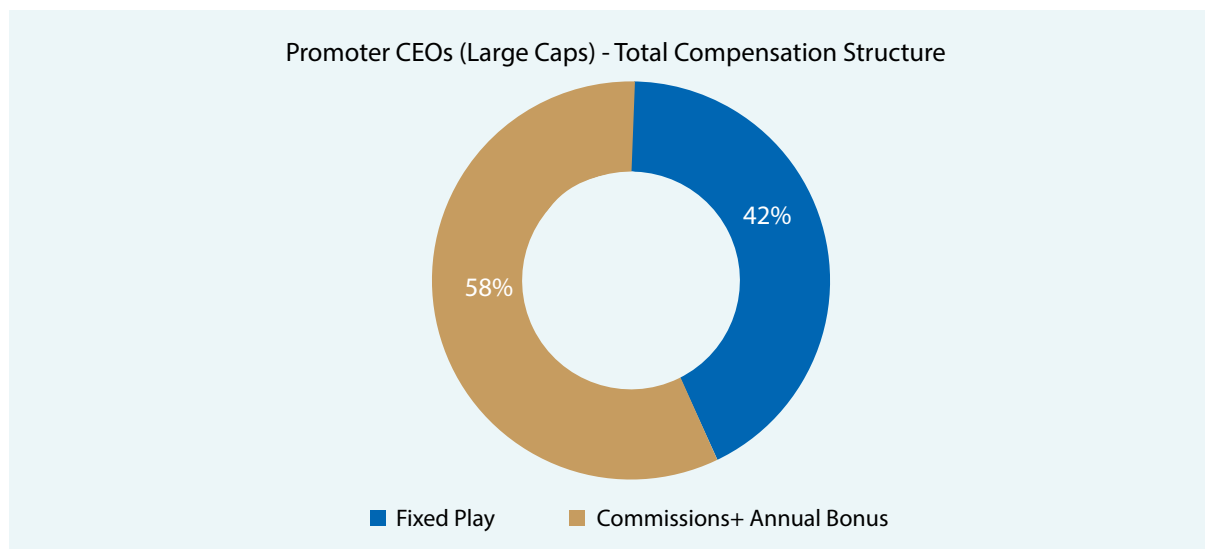
For the purpose of this analysis, a Promoter CEO is defined as person who is holding the position of CEO / Managing Director and belongs to the promoter group (unlike professional CEOs) is defined as a Promoter CEO. The compensation for promoter CEOs in large cap companies varies significantly (see Table 1). Given that the regulations in India prohibit promoters from participating in share-based programs, they receive primarily fixed compensation and profit-linked commissions. Basis the FY'22 compensation analysis, we see a slight skew towards profit-linked commissions (see Graph 1). When compared to the Professional CEOs, this seems to be broadly aligned (our analysis of large cap professional CEOs show that approximately 41% of total compensation is delivered in the form of fixed compensation).

**Table 1: Promoter CEO Compensation – Large Caps<sup>1</sup>**

FY'22 Promoter CEO Compensation	Total Compensation
10 <sup>th</sup> Percentile	47.0
25 <sup>th</sup> Percentile	101.2
Median	189.3
Average	294.7
75 <sup>th</sup> Percentile	271.9
90 <sup>th</sup> Percentile	677.5

All numbers in INR Millions

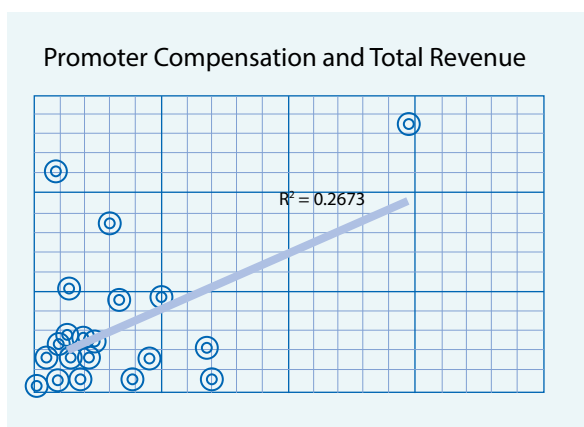
**Graph 1: Promoter CEO Compensation Structure – Large Caps**



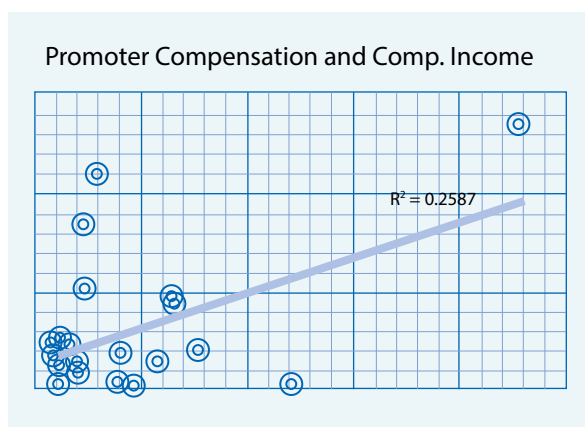
<sup>1</sup> Excludes companies where Promoter took token or no compensation

We observed that the correlation of compensation is weak across multiple financial metrics. However, the correlation was strongest with Total Revenue (R Value of 0.52) and Total Comprehensive Income / Profits (R Value of 0.51) (see Graph 2 and Graph 3). For FY'22 Total compensation as a percentage of Total Comprehensive Income / Profits ranges from **0.11% to 3.36%** (10<sup>th</sup> percentile to 90<sup>th</sup> percentile range) with median of **0.76%**<sup>2</sup>.

**Graph 2: Promoter Compensation and Total Revenue**



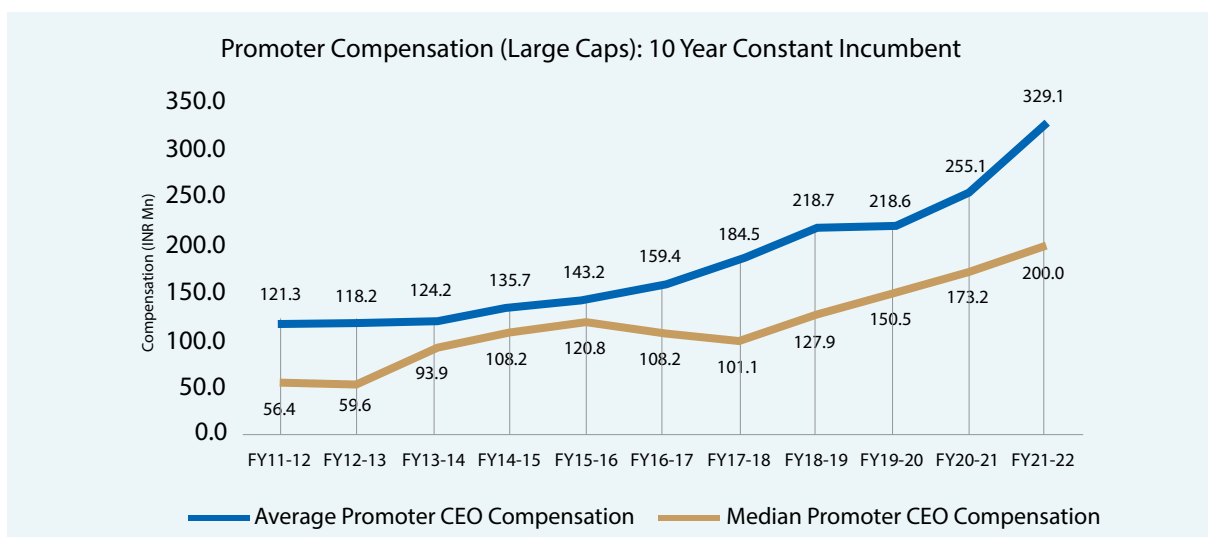
**Graph 3: Promoter Compensation and Total Comprehensive Income (Profits)**



**DECADAL VIEW OF PROMOTER COMPENSATION – LARGE CAPS (CONSTANT INCUMBENTS)**

To understand the trend in promoter compensation in large cap companies, we analysed compensation across last ten years considering only those companies where the incumbent has remained constant. Our analysis shows that median compensation has grown at **~13.5% CAGR** over the last 10 years and the average compensation in the same time has grown at **~10.5% CAGR** (see Graph 4). However, if we analyse the rate of compensation growth in individual companies, the median growth rate over the last 10 years is **~10.6%** and average growth rate over the same period is **~11.3%**

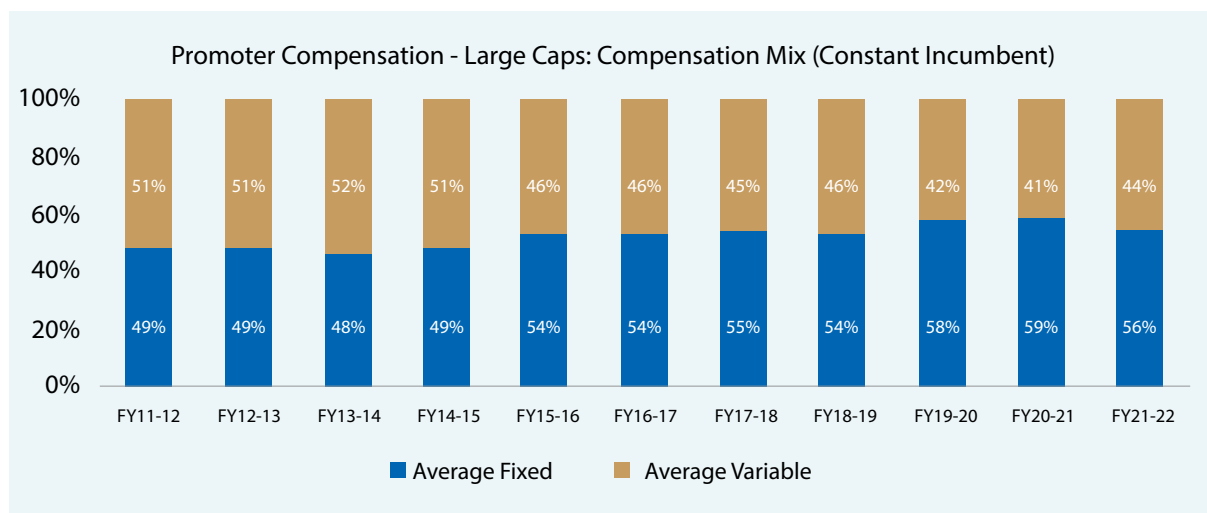
**Graph 4: Promoter Compensation (Large Caps): 10 Year Constant Incumbent Trend**



<sup>2</sup> Note that this is percentage of comprehensive total income (profits) as reported in annual reports on consolidated basis and is not calculated basis Section 198 of Companies Act – 2013 which shall be used to determine the maximum limit

A 10-year analysis of fixed and variable mix for constant incumbents over last 10 years has largely remained consistent with a slight skew moving towards fixed compensation (see Graph 5).

**Graph 5: Promoter Compensation (Large Caps): Compensation Mix**



**IN CONCLUSION**

There has always been subjectivity involved in determining compensation for Promoter CEOs. However, it is important for the Nomination & Remuneration Committees (NRCs) to take an informed call on promoter compensation considering the market levels of pay and company’s performance. CEO compensation has always been of interest to external parties, including media and increasingly, proxy advisory firms are developing strong views around the same. It hence becomes important for the NRCs to view CEO compensation from multiple lenses and ensure that there is a robust governance process behind the decisions.

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