

REPORT ON BOARD COMPOSITION & BOARD REMUNERATION OF TOP 500 COMPANIES

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PREFACE

At the outset, I on behalf of Stakeholders Empowerment Services (SES) would like to thank National Stock Exchange (NSE) for giving an opportunity to present these reports on Board Composition and Board Remuneration in India. We wholeheartedly thank NSE, its team for the initiative, support and guidance, without which these Reports would not have been possible.

Part A

Board Composition

During the last few decades, the Government, the regulators, corporates and various stakeholders have initiated and put in place mechanisms to enhance the standards of Corporate Governance. In this direction, series of reforms have been implemented e.g. Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements, Regulations, 2015) ('Listing Regulations'), the Insolvency and Bankruptcy Code. Further SEBI had appointed Kotak Committee on Corporate Governance aimed to further enhance the corporate governance standards in India. All these indeed, augur well for all stakeholders of a company.

Board functions as a collective of individuals, therefore it is important for collective strength that all the elements that form the collective be individually not only capable but be willing to devote time for the task in hand. Therefore, an effective board must have aggregation of variety of skills, experience, mix of youth and old, willing to devote time and all of them must be individuals of high integrity.

The Board of Directors of a Company is the primary link between the Owners (shareholders) and Management. The Board is *inter alia* responsible for making strategies, long term plans, set operational goals, identify and mitigate risks etc and expansion. The Board has to ensure that management runs the business ethically in compliance with the law, with focus on profits so that shareholders wealth is maximized keeping a fine balance with stakeholders' interest.

There have been instances in the recent past in India where the above stated balance has been allegedly compromised which were not in the interest of the Company and the stakeholders at large. Human behaviour is undoubtedly the most complicated puzzle and extremely difficult to predict. To counter this uncertainty and increase the probability that those entrusted with responsibility would carry out the task in a professional manner and in the best interests of various stakeholders, several rules and regulations have been put in place by various law makers.

It is in this context, that this Report has been compiled to analyse the composition, the trends and patterns of NIFTY 500 Companies (except Public Sector Banks) in India considering various categories of directors viz. Promoter Executive Directors, Non-Promoter Executive Directors, Promoter Non-Executive Directors, Non-Promoter Non-Executive Directors and Independent Directors for the last three financial years (2014-15, 2015-16 and 2016-17). The Report dwells on composition of the board considering independence, gender diversity, promoter-non-promoter, age, qualification, experience, time commitment of directors etc.

Part B

Remuneration of Directors

Executive and Board remuneration have been hot topics of discussion worldwide at all levels, be it government, regulators, investors or social thinkers and policy makers. Media has also played its role in keeping the topic alive. There have been serious concerns on the compensation of CEOs and the other top executives/ board members of public companies in USA since the financial crisis and the economic meltdown of 2009. At extreme the entire financial crisis was blamed to greed of executives, leading to demand by shareholders for greater ‘say on Pay’ of executives and board members of corporates. As a result, for the last few years, remuneration of directors of public listed companies worldwide are under greater scrutiny and as a result are undergoing changes, obviously Indian companies are no exception. Every stakeholder seeks an answer to the question whether Indian companies are remunerating directors fairly or their remuneration practices are

questionable. However, there is no denying that directors of companies need to be remunerated adequately and fairly, commensurate with their academics, expertise, experience etc., so that the companies can attract best talent, who in turn can facilitate increase in shareholders' value. Whether directors are paid too much or too little is a matter that can be contested. Because there is no formula and SES believe that the Board knows best, as no outsider can evaluate fair compensation based on disclosure in public domain. However, at best comparatives can be drawn and results evaluated. This study is an attempt to analyze the data.

Data for 500 NIFTY companies for each year had about 4,200 directors and for each director 40 variables were captured, indicating that for each year we had about 1.68 lac data points and across three years it amounted to almost 5.00 lac data points. Our research points that remuneration to directors in companies in India is highly divergent across all categories. The significant divergence is further evident in various class of companies viz. Indian Corporates, PSUs & MNCs. PSUs and PSBs are outliers as their remuneration is regulated by the Govt. However, in case of Indian Corporates and the MNCs, remuneration is decided by the Board of the company itself. By its nature, board deciding its remuneration has inherent conflict of interest, therefore law requires shareholders' approval and recommendation of Remuneration Committee which is mandated to be independent.

Our findings are on expected lines, family members of promoters and few non-promoter individuals have preference over others and therefore it is not surprising that major chunk of the total board remuneration is taken away by such directors.

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. The Kotak Committee on Corporate Governance set up by SEBI has also made recommendations on remuneration to directors of companies. The Report analyses likely impact on current directors if the recommendations were applicable as on 31st March 2017.

End Note

These Reports will help all the readers, in general and regulators, company boards and the stakeholders in particular to understand the trends evolving in compensation to directors.

I express my sincere gratitude to all my colleagues in SES with special mention to Mr. Varun Krishnan, Mr. Mukesh Solanki and Mr. Rajesh Surve for their untiring efforts in compiling and analyzing voluminous data and shaping up the Report in the present form.



J.N. Gupta

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PART A: BOARD COMPOSITION

EXECUTIVE SUMMARY OF THE STUDY

The Report on Board Composition analyses the data relating to the appointments, resignations and Board size of NIFTY 500 Companies as on 31st March, 2017 (referred to as ‘Sample’) for a period of 3 years viz., 2014-15, 2015-16 and 2016-17. The analysis does not include 20 Public Sector Banks (‘PSBs’) due to unavailability of adequate data.

Sample size

Category	2016-17	Percentage	2015-16	Percentage	2014-15	Percentage
MNC	43	8.96%	43	9.17%	43	9.62%
PSU	41	8.54%	41	8.74%	41	9.17%
Indian Corporates	396	82.50%	385	82.09%	363	81.21%
Total	480	100.00%	469	100.00%	447	100.00%

Key findings:

Board size:

- Resignations and appointments in Indian Corporates and MNCs hovered in the range of 0.7 to 1.28 directors per company.
- For the PSU Companies, the average resignations were fairly high at approx. 3.6 directors per Company during 2014-15 & 2015-16 (initial 2 years) when compared with that of Indian Corporates and MNCs. Further, the average number of appointments for 2015-16 & 2016-17 (last 2 years) also stood high at 4.24 & 3.29 directors per PSU respectively, indicating that major shuffle in the Board of PSUs had been caused by the change in the Govt. at the Centre during mid-2014.
- The average Board size of Indian Corporates, Foreign MNCs experienced a declining trend YoY during the past 3 years, compared to increase in the same for the Public-Sector Undertakings (‘PSUs’) Companies during the same period.
- On an overall basis, the Sample companies experienced a marginal decline in their Board size from 9.53 directors per Company in FY 2014-15 to 9.39 directors per Company in FY 2016-17.

Board Balance: The balance of the Board of Directors of the Sample Companies was analysed on various parameters:

1. Executive & Non-Executive Positions:

- Board of PSUs had comparatively large proportion of Executive Directors (42%) during FY 2016-17, compared to approx. 25% in Indian Corporates and MNCs.
- On an overall basis, 26-27% of the total Board constituted of Executive Directors in the Sample Companies during the past 3 years.
- The proportion of Independent Directors of the Sample Companies witnessed an increasing trend from 50.49% in FY 2014-15 to 51.60% in FY 2016-17.
- The proportion of Promoter ED during FY 2016-17 was higher in Indian Corporates, as compared to MNCs and PSUs, indicating Promoter dominance of the board in Indian origin Companies.
- Highest proportion of Independent Directors was observed in Indian Corporates (53.64%), followed by MNCs (45.71%). PSUs had only 37.81% of Independent Directors on their Board during FY 2016-17.

2. Board Independence

- 50 Companies (out of the Sample of 480 Companies) were found to be short of requisite number of Independent Directors as on 31st March, 2017. Out of these, 32 companies (64%) were PSUs and 17 (34%) were Indian Corporates and only 1 (2%) was a MNC.
- In the MNCs and Indian Corporate segment, 9 Companies remained non-compliant as on 30th Sept, 2017 also, while the other 9 ensured compliance with the requirement of IDs on their Board.
- Oil India did not have a single ID on its Board as on 31st March, 2017.
- Companies such as Karnataka Bank, Eicher Motors and Unichem laboratories had the highest number of IDs.

3. Tenure/ Association of Directors

❖ Independent Directors

- On the association of Independent Directors, 26% for Indian Corporates and 36% for MNCs, IDs were associated with the respective Companies for more than 10 years, as on 31st March, 2017. For the PSUs, this percentage was insignificant at 3%, indicating the IDs in PSUs remain on the Board for relatively shorter period.

- On an overall basis, out of 2,326 IDs in the Sample, 574 IDs comprising almost 25% were found to have been associated with the Company for more than 10 years. If the relevant regulations on tenure of IDs were to be implemented in their true spirit, around 25% of IDs would be found breaching the permissible tenure limit.
- Mr. Pradip Kumar Daga and Mr. Rajendra Ambalal Shah, presently IDs in few sample companies, were observed to be associated with 1 and 2 Companies, respectively, for more than 50 years as on 31st March, 2017.

❖ **Executive Directors**

- In the Executive Directors space, Mr. P. R. Ramasubrahmaneya Rajha, has been associated with The Ramco Cement for 59 years, as on 31st March, 2017. His present age is 82 years, indicating that he joined the Company at an age of 23 years.
- The average age of top 10 eldest Promoter EDs on their appointment was 26.10 years and the youngest appointee was Mr. Raghupati Singhania at the age of 21 years only.
- In the Non-Promoter ED segment, the average age at the time of appointment of these Non-Promoter EDs was about 40 years, which is about 14 years more than the comparable sample of promoter EDs.
- The average age at appointment of the top 10 youngest Promoter EDs was 24.2 years against average age of 26.1 at the time of appointment of longest serving EDs.
- Mr. Varun Jaipuria who was appointed at the age of 21 years is the youngest promoter ED at the time of appointment.
- Further, Ms. Nikita Bansal of Century Plyboards Ltd, Ms. Nandamuri Brahmani of Heritage Foods and Mrs. Viral Saraf Mittal of Vinati Organics Ltd, women Promoter EDs are in the list of top 10 Youngest Promoter EDs.
- On the Non-Promoter ED front, the average age at the time of appointment of the top 10 youngest directors is 36 years, whereas for Promoter EDs it was observed to be 24.2 years. This clearly shows that there is difference of about 12 years between the age at initial appointment of promoter and non-promoter ED.

- Youngest Non-Promoter ED at the time of appointment is Mr. Gagan Banga (Indiabulls Housing Finance Ltd) and Mr. Noronha (Avenue Supermarts Ltd) at 30 years.

❖ **Non-Executive Directors**

- Mr. Basant Kumar Birla of Kesoram Industries led the table with longest association with a Company, with an association of staggering 77 years. His present age is 96, indicating that he joined the Company as an 19 years old ‘teenager’.
- The average age at the time of appointment of the top 10 longest associated NEDs was 30 years.

4. Promoter and Non-Promoter Directors

- Between the range of 0 to 75% of Promoter shareholding in a Company, the proportion of Promoter Directors on the Board increases with an increase in the Promoter shareholding. However, Companies having more than 75% of Promoter shareholding have witnessed comparatively lower number of Promoter Directors on their Board.
- On the basis of Market Capitalisation, the proportion of Promoter Directors in Companies having market capitalisation up to ₹ 1 lac crores has remained almost constant in narrow range 27.5%. Companies having market cap of over ₹ 1 lac crores have lesser number of Promoter Directors as this category also includes most of the large ‘Professionally managed Companies’, viz. ITC Ltd., Larsen & Toubro Ltd HDFC Bank Ltd., ICICI Bank, which do not have any identified promoter(s).
- Top 10 Companies with maximum Promoter Directors on the Board include, 4 MNCs and other 6 Indian Corporates. This list is led by 3M India and Interglobe Aviation, with 66.67% Promoter Directors on their Board.
- Similarly, top 10 Companies with minimum Promoter Directors on the Board include, 2 MNCs and 7 Indian Corporates and 1 PSU. Ashok Leyland Ltd, JSW Steel Ltd and Indiabulls Housing Finance Ltd, leading the list with only 8.33% of Promoter Director on their Board.
- Both the List (maximum and minimum number and % of promoter directors) contain names of companies which are fairly successful in their respective field. Therefore, it is difficult to conclude what impact number of Promoter Directors make on the performance of the Company.

- In the Executive Director segment, Muthoot Finance Ltd has maximum number of Promoter EDs on its Board, i.e., 5 out of 10 directors. All the Companies featuring in the top 10 list of maximum Promoter EDs are Indian Corporates.
- Similarly, Bhushan Steel Ltd has minimum number of Promoter EDs on their Board (1 out of 17 Directors) as on 31st March, 2017. The top 10 list of minimum Promoter ED include 8 Indian Corporates and 1 MNC and PSU.
- In the Non-Executive Promoter Director space, Mphasis Ltd has maximum number of Promoter NEDs on its Board, i.e., 5 out of 9 directors. The top 10 list of maximum Promoter NEDs include 4 Indian Corporates, 4 MNCs and 2 PSUs.
- Similarly, Bhushan Steel Ltd has minimum number of Promoter NEDs on their Board (1 out of 17 Directors) as on 31st March, 2017. The top 10 list of minimum Promoter NEDs include 9 Indian Corporates and 1 PSU.

5. Chairman & Managing Director (CMD) and Chairman of the Board:

- In the three-year period under review, number of CMD positions have increased marginally from 142 to 144, on the other hand, Chairman of the Company (not also the Managing Director) has increased from 296 to 326.
- In the CMD segment, majority, 110 out of 144 were Promoter Directors while, the remaining 34 were Non-Promoter CMDs as on 31st March, 2017.
- In the Chairman of the Company (not also the Managing Director) segment, 200 out of 326 were Promoter Directors with 70 EDPs and 130 NEDPs indicating almost 2 in 3 were Promoter Chairmen, as on 31st March, 2017.
- On ownership basis, PSUs had maximum number of CMDs on their Board (approx. 73-75%) during the last 3 years. The same percentage was around 29-30% for Indian Corporates and 6-9% for MNCs.

6. Gender Diversity:

- In the Sample companies, the average number of women directors has increased from 11.54% to 13.00% of the total board strength in the past 3 years.

- Significant improvement was observed in the PSUs where the percentage of women directors on the Board has improved from 8.38% in FY 2014-15 to 12.81% FY 2016-17. MNCs have the highest percentage of women directors at 13.81%, as on 31st March, 2017.
- On an industry basis, except for Metals and Pharma, all other industries have witnessed an increase in the percentage of women directors on the Board of the Company during FY 2016-17. IT and Services industry has almost 15% of women directors on their Board during FY 2016-17, whereas Metals, Energy and Automobiles has only 10.70%, 11.80% and 11.80% of women directors on their Board.
- within directors category, highest % of women directors is observed in Independent Director segment at 15.27%, followed by NED NID at 14.44% and 7.39% in the ED Category as on 31st March, 2017. .
- The average women directorship per Company remained at 1.10 for FY 2014-15 & 2015-16, while the same increased to 1.22 women director per Company during FY 2016-17.
- On the basis of Promoter versus Non-Promoter Comparison, it is observed that while increase across three-year period in number of promoter women director was only 19 (from 142 promoter women directors in 2014-15 to 161 in 2016-17), the increase in non-promoter women director category was seen at 74, (from 350 non- promoter women directors in 2014-15 to 424 in 2016-17).

7. Expertise and Educational Background:

- Majority of directors in the Sample Companies are having expertise in Banking and Finance field, followed by Management. As per the data, expertise in Audit & Taxation had least number of directors during FY 2016-17.
- In terms of educational qualifications, majority of directors are Graduates and equivalents.
- PSUs have the highest proportion of Graduates, while Foreign MNCs have highest percentage of Directors who are Doctorates, Professionals or hold master's degrees.
- Out of total 4,282 directors, only 0.89% (38) do not have graduate degree, while 60.25 % (2,580) have a graduate and equivalent degree, rest 38.84%

(1,663) are either post graduate, professionally qualified or even have multiple professional qualification.

- 46.53% of directors in Foreign MNC are Doctorates, Professionals or holding master's degree. Proportion of such directors in the PSUs and Indian Corporates categories is around 37-38%.

8. Age of Directors

- Overall in the Sample, average age of male directors is 57.87 years, whereas average age of women directors is 52.90, with a clear gap of around 5 years.
- The gap between the age of male and female director in the nominee directors segment is only 2 years, which is the least in all categories.
- Average age of Independent Directors (male) being above 60 indicates that being an ID in the Board of a Company is most likely to be a 'Post retirement job'.
- Across all categories, women Promoter Executive Directors are the youngest.
- On an ownership basis, there is almost a 7 years gap between the average age of male and female directors in the Indian Corporates, compared to less than 1.5 years in the PSU category and almost 4 years in MNCs.
- In 10 youngest directors of Sample companies, there are 4 women directors. Mr. Ruchir Kumar Modi of Godfrey Phillips India Ltd, tops the list with only 23 years as on 31st March, 2017.
- Similarly, Mr. Basant Kumar Birla at 96 years, is the senior most director amongst the Sample Companies.
- Top 10 eldest directors are directors in 16 Companies. Mr. Brij Mohan Khaitan who is 90 years of age, holds Non-Executive Directorship (including as ID in CESC) in 3 Listed Companies.
- 12 out of the 16 directorships (as stated above) is Independent. It can be said that companies not only continue with old and seasoned promoter directors but continue with old and seasoned IDs as well.
- Housing Development Finance Corporation Ltd leads the list with maximum average age of its board at 74 years, followed closely by Supreme Industries at 73.80, as on 31st March, 2017.

- Similarly, Hathway Cable & Datacom Ltd leads the list of top 10 youngest Board with an average Board age of 45.56 years, closely followed by Sadbhav Engineering Ltd, at 45.60 years as on 31st March, 2017.
- The data clearly indicates that age has no meaning as in the oldest club, one can see HDFC and in youngest club one can see Avenue Supermarkets, both of whom have performed exceedingly well and generated returns for investors.

9. Time Commitment of Directors

- In total there are 3,597 unique individuals occupying 4,508 directors position in the Sample companies.
- Only 171 (4.75%) of individuals have 5 or more listed company directorships. A major chunk i.e. 3,016 (85%) directors have 2 or less number of directorships.
- Most of the persons occupying 5 or more listed directorships are IDs and are above 60 years of age.
- Mr. Rajendra Ambalal Shah and Mr. Pradip Kumar Khaitan lead the list with maximum number of Listed Directorship during FY 2016-17, at 10 and 9 respectively.
- On the Company front, at an average of 12.50 directorships per Director, The Ramco Cements led the list of Companies whose directors have maximum total directorship during FY 2016-17.
- Similarly, in the Listed Company space, Bajaj Finserv Ltd, led the list of Companies whose directors have maximum Listed directorship at 5.38 Listed Directorship as an average. All such 10 companies are Indian Corporates out of which 4 are Bajaj Group companies.
- In the minimum average directorship list, Hindustan Copper Ltd topped the list with least number of directorship for its directors at 1.27 Companies.

Similarly, in the Listed Company space, more than 10 Companies that had an average Listed Company directorships of their directors at 1, meaning that their Directors held directorship in that Company only.

INTRODUCTION

The Board of a Company is the primary link between Owners (shareholders) and Management. Its key responsibilities are to provide guidance, frame policies, business development (growth and expansion) and to ensure that management

runs the business ethically in compliance with the law, with focus on profits so that shareholders wealth is maximised keeping a fine balance with stakeholders' interest. They are appointed by the owners of the Company who are referred to as the shareholders. Therefore, they have a fiduciary duty towards shareholders. At times goal of profit maximization may be in direct conflict with interest of other stakeholders or may not be in compliance with the law or may not pass the strict test of ethical standards, at such times the company needs leadership which can take independent decision without (i) fear of any adverse consequence and (ii) favour to any person or person(s). Human behaviour is undoubtedly the most complicated puzzle and extremely difficult to predict. To counter this uncertainty and increase the probability that those entrusted with responsibility would carry out the task in a professional manner and in the best interests of various stakeholders, several rules and regulations have been put in place by various law makers.

These rules and regulation inter alia, relate to composition of Board of Directors, qualification of its members, their tenure and classification. Since, certain directors of the company may also be shareholders in the company, therefore, it is important to clearly set a demarcation between the roles and responsibilities of the Director, in order to avoid any potential conflict of interest issue.

In the last few decades, India has paid considerable attention to enhancing the standards of Corporate Governance and series of reforms have been initiated and put in place e.g. Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements, Regulations, 2015) ('Listing Regulations'), the Insolvency and Bankruptcy Code and appointment of Kotak Committee on Corporate Governance. This Report intends to throw some light on the Board Compositions and the trend and pattern of some listed companies in India.

SCOPE OF THE REPORT AND THE SAMPLE

This Report inter-alia compiles data and analyses trends and patterns amongst NIFTY 500 Companies as on 31st March, 2017, based on data for 3 years i.e., FY 2016-17, 2015-16 & FY 2014-15 with 31st March of the respective year as the cut-off date. The Companies have been segregated into 3 baskets on year end basis. Companies having different fiscal year have also been included in the baskets having immediate subsequent cut-off date. For Instance, Company having fiscal year end of June, 2016 has been included in the FY 2016-17 basket.

NIFTY 500 companies as on 31st March 2017, includes 20 Public Sector Banks ('PSBs') which, for the purpose of this Report have been excluded

(Refer Annexure I). Since, 90% of these PSBs are not ‘Company’ as per the definition under the Companies Act, 2013, therefore, 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 challenge. Consequently, due to non-availability of DIN in public domain, getting authentic data was quite difficult and it was virtually impossible to track information relating to change in directorship etc in these PSBs. Therefore, in order to have undistorted data, all entities from the PSB basket have been excluded from the scope of the Report.

Further, Companies whose securities have been listed for trading on Stock Exchanges post the respective cut-off dates, have been included in the subsequent financial year basket only. This is mainly due to the lack of information of the respective Companies prior to their listing.

Therefore, the scope of the Report is limited to 480 Companies, 469 Companies, 447 Companies for FY 2016-17, FY 2015-16 and FY 2014-15, respectively, which we have referred to as ‘Sample’ throughout this Report. The difference in sample size is on account of new listing in last three years either due to IPO or OFS or restructuring.

The sample distribution based broadly on ownership basis is as given in the Table 1. Companies predominantly owned by either the Central Govt. or the State Govt. or both have been categorised as ‘PSU’. Companies operating in Multiple Nations and having their headquarters outside India have been referred to as ‘MNCs’ or ‘Foreign MNCs’. Remaining Companies incorporated in India and operating from India have been categorised as ‘Indian Corporates’.

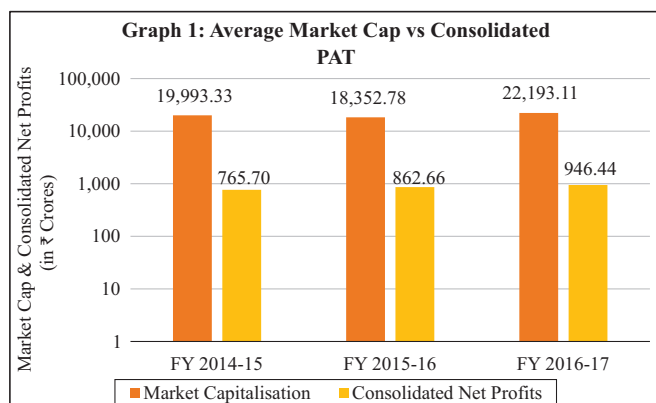
Table 1						
Category	2016-17	Percentage	2015-16	Percentage	2014-15	Percentage
MNC	43	8.96%	43	9.17%	43	9.62%
PSU	41	8.54%	41	8.74%	41	9.17%
Indian Corporates	396	82.50%	385	82.09%	363	81.21%
Total	480	100.00%	469	100.00%	447	100.00%

The sample has a market cap of ₹ 106.53 lacs Crores as on 31st March, 2017, representing almost 90% of total market cap of ₹ 119.30 lacs Crores of all listed companies on NSE as on the same date. Based on market capitalisation, it can be said that the sample is a representative sample.

A broad indication of the Market Cap and consolidated Net Profits of sample is given in Table 2

Table 2			
(in ₹ Crores)	FY 2014-15	FY 2015-16	FY 2016-17
Market Capitalisation	88,17,059	83,87,219	106,52,695
Consolidated Net Profits	3,37,674	3,94,237	4,54,291
Number of Companies*	441	457	480

**For FY 2014-15 while market cap data was available only for 441 companies, directors' data was available for 447 companies & for FY 2015-16 while market cap data was available only for 457 companies, directors' data was available for 469 companies. Therefore, in table data in respect of few companies has not been captured.*



As the number of Companies in the Table 1 for the 3 financial years are not same, therefore, in order to make a comparative study, average market capitalisation and average consolidated Net Profits have been calculated and

considered as benchmark.

While, the average Consolidated Net Profits of the NIFTY 500 Companies grew steadily from ₹ 765.70 crores in FY 2014-15 to ₹ 862.66 crores in FY 2015-16, the average market capitalisation of the Sample fell by ₹ 1,641 crores during FY 2014-15 & 2015-16.

As it is felt that it is the Board that drives a company, it may also be vital to study major trends and patterns of the Board composition of the Sample Companies.

Directorship in Sample Companies:

Optimum combination of Executive & Non-Executive directors plays a crucial role in maintaining an appropriate Board balance. Table 3, indicates the number of Executive Directors (hereinafter referred to as 'ED'), Non-Executive Non-

Independent Directors (hereinafter referred to as ‘NED’) and Non-Executive Independent Directors (hereinafter referred to as ‘ID’) for the respective financial year. Fresh appointments in the respective category along with the resignations have been captured in the Table 3. Continuing category indicates the directors were already there on the Board since the beginning of the financial year. Resignation includes retirement.

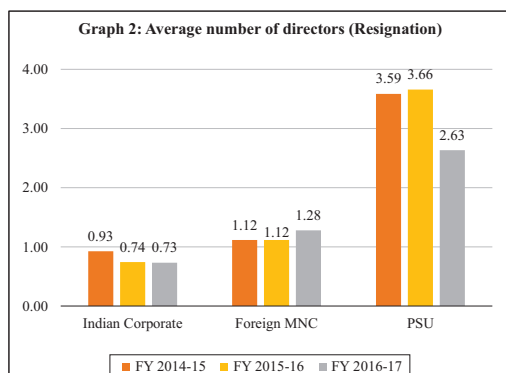
Overall, in our sample companies, as at end of year 2016-17, there were total 4,508 directors across all categories, with varying board size, the lowest being 4 directors and highest being 20 directors on a Board.

Categories	FY 2014-15				FY 2015-16				FY 2016-17			
	O	R	A	C	O	R	A	C	O	R	A	C
Companies	447				469				480			
IDs	2,204	283	231	2,152	2,229	185	219	2,263	2,256	157	227	2,326
NEDs	1,001	144	104	961	1,050	179	130	1,001	1,029	189	151	991
EDs	1,198	106	57	1,149	1,171	120	111	1,162	1,175	107	123	1,191
Total	4,403	533	392	4,262	4,450	484	460	4,426	4,460	453	501	4,508

O-Beginning of Year, R-Resignation during the Year, A-Fresh Appointments during the Year, C-Year End position.

Resignation Analysis:

FY 2014-15 witnessed most number of resignations i.e. 533 resignations followed by 2015-16 (484 resignations) whereas there were 453 resignations in FY 2016-17.

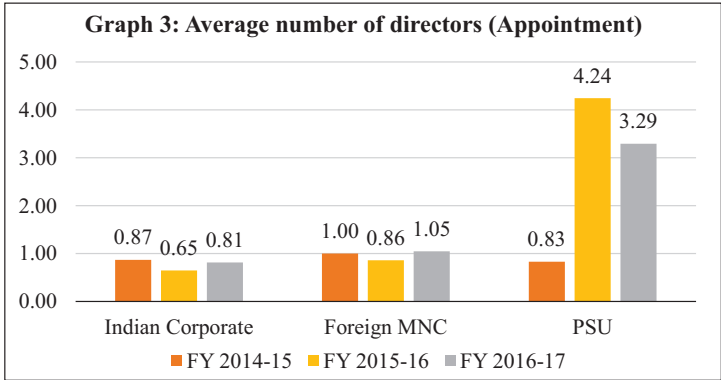


This change was majorly led by 336 resignations during FY 2014-15 in Companies (excluding MNCs and PSUs) with an average resignation per Company standing at almost 0.93 for FY 2014-15. Further, in terms of average, PSUs Companies witnessed highest number of resignations during 2014-15 & 2015-16. It appears to be case where changes in the Board

of Directors have taken place due to change in govt. at the Centre in mid-2014.

MNCs had an average resignation rate of around 1 during FY 2014-15 & 2015-16, which during FY 2016-17 rose to 1.28. Since, majority of the MNCs have different financial year than March 31 ending, therefore, the resignations during their fiscal year have been considered in the basket relating to the immediate subsequent financial year (as already discussed above). No pattern or meaningful information could be gathered from the information related to resignations of directors, as in most of the cases the reasons mentioned for resignation were generic e.g. personal reason, time commitment etc. However, few resignations were on account of limit on number of directorships imposed by new regulations/ law.

Appointment Analysis:



The appointment pattern across Indian Corporates and Foreign MNCs have remained more or less stable during the past 3 FYs. Financial year 2014 - 15 witnessed 315

fresh appointments in Indian Corporates translating into 0.87 average appointment per Company. on the other hand, year 2015-16 & 2016-17, had comparatively higher number of appointments in the PSUs category. This appears to be mainly due to filing the vacancies caused by higher resignations post change of Government at the Centre leading to increased appointments.

BOARD SIZE

It is universally accepted that Board of Directors of a Company must comprise of an optimum size that must be commensurate with the size and operations of the Company. A Company must make sure that it has directors having relevant and adequate expertise and experience in the respective fields which can be of use to the Company, at the same time keeping in mind that too many directors on the Board may lead to a situation where “too many cooks, spoil the broth” becomes a reality. However, what is the best size of the board is very difficult to say as one cannot attribute success or failure of any company or difference between performance of companies based on board size alone.

The Table 4, gives data across three years on number of directors and average number of directors.

Table 4: Average Number of Directors			
Year	Number of Companies	Total Directors	Average
2014-15	447	4,262	9.53
2015-16	469	4,426	9.44
2016-17	480	4,508	9.39

There were on an average 9.39 Directors on the Board of all NIFTY 500 Companies as on 31st March, 2017, average of 9.44 directors for FY 2015-16 and 9.53 directors for FY 2014-15. The average Board size of the NIFTY 500 Companies is reducing marginally YoY. This appears to be a case of moving towards stabilisation, where Companies are now settling down with their refurbished board combination post implementation of the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR'), which caused fundamental changes in the Board composition of the Listed Companies, including mandatory induction of a woman director, restriction on tenure of Independent Director, definition of independent directors, introduction of resident director, stipulation that nominee director to be non-independent etc. Or could this also be a case where some directors quit the Board due to perceived increased responsibilities and liability under new law?

This being subjective issue and non-disclosure / availability of detailed reasons, a conclusion cannot be drawn. Similarly, what is optimum size of a Board remains an open issue as the following Tables 5 & 6 details companies with highest number and lowest number of directors and one can notice that it contains both leaders and laggards in each table. However, there is one difference as large cap are missing from Table 6 showing small size boards. Therefore, can one conclude that size of the Board is immaterial of large size is must as far as performance is concerned?

Surely not, as such a conclusion will be hasty and incorrect as it is just one of the factor along with many more factors which determine performance of a company.

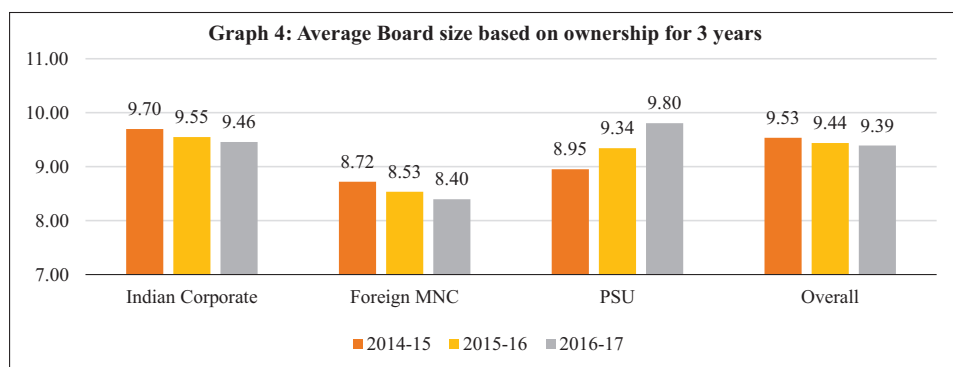
Table 5: Maximum Number of Directors on the Board		
S. No	Company Name	No. of Directors
1	Larsen & Toubro Ltd	20
2	Jaiprakash Associates Ltd	18
3	Jaiprakash Power Ventures Ltd	18

Table 6: Least Number of Directors on the Board		
S. No	Company Name	No. of Directors
1	Trident Ltd	4
2	CARE Ratings Limited	5
3	Essel Propack Ltd	5

4	Jagran Prakashan Ltd	18
5	Bhushan Steel Ltd	17
6	Aarti Industries Ltd	16
7	Emami Ltd	16
8	Century Plyboards (India) Ltd	16
9	Oil & Natural Gas Corp. Ltd	16
10	Axis Bank Ltd	15

4	Ingersoll-Rand (India) Ltd	5
5	Jubilant Life Sciences Ltd	5
6	Rajesh Exports Ltd	5
7	BF Utilities Ltd	5
8	Minda Industries Ltd	5
9	Zee Learn Ltd	5
10	Adani Transmission Ltd.	5

Impact on Board size: Impact of the above resignations and appointments could be observed in the Board size in the Graph 4. While, we can observe a decreasing trend of Board size in Indian Corporates and MNCs, however, the number of directors on the Board of PSU show an increasing trend. A broad categorisation of the Board size based on the ownership in given in the Graph 4:



The PSUs are not following the pattern of MNCs and Indian Corporates, these companies appeared to have undergone major shuffle in their Board with the highest number of appointments and resignations during the 3 financial years under review. Table 7 indicates net accretion/ deduction in board size:

Table 7									
Year	MNC			PSU			Indian Corporates		
	R	A	AC	R	A	AC	R	A	AC
2014-15	1.12	1.00	-0.12	3.59	0.83	-2.76	0.93	0.87	-0.06
2015-16	1.12	0.86	-0.26	3.66	4.24	0.59	0.74	0.65	-0.10
2016-17	1.28	1.05	-0.23	2.63	3.29	0.66	0.73	0.81	0.08

R - Resignation, A - Appointment, AC - Net Accretion

The MNC Board size is shrinking continuously over last three years. PSU are yet to come back to their previous level and Indian Corporates after two years decline saw a marginal increase in 2016-17. In case of MNCs, Mphasis Limited and GE T&D India Limited share 11 resignations between them during the year 2014-15. Further, number of directors on board of Merck Limited declined the most, having truncated its board size to half. It had 12 directors on the Board as on 31st Dec, 2014, which reduced to 8 directors as on 31st Dec, 2015 and subsequently to 6 as on 31st Dec, 2016.

BOARD BALANCE

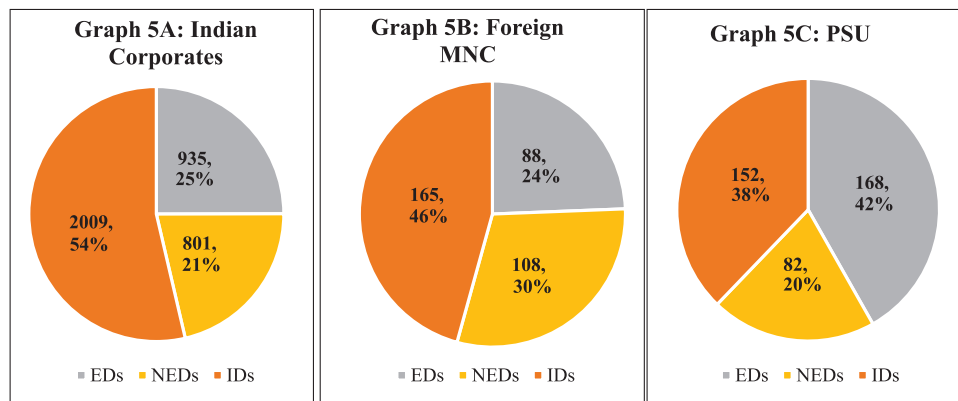
It is not only important to have an optimum Board size, it is also important to strike a balance between different category of board members within a Board. While it is difficult to say what could be an optimum composition of the Board, it can be safely said that a board with diversified experience, a mixture of youth and old with gender diversity is likely to be more effective given the role and expectation that the stakeholders have from the Board. Optimum combination of the Board must be ensured by the Companies which must inter-alia consider the following parameters:

- Executive & Non-Executive Position,
- Board Independence,
- Tenure/ Association of Directors,
- Promoter and Non-Promoter Directors,
- Chairman & Managing Director,
- Gender Diversity,
- Expertise and Educational background,
- Age,
- Time Commitments of Directors (Number of directorships).

Executive & Non-Executive Position:

In terms of Executive Directorships, Foreign MNCs and Indian Corporates share almost similar numbers of Board percentage at about 25% as indicated in the Graph 5. However, in case of PSUs, 42% of the Board of Directors comprise of Executive Directors. It is generally observed that PSUs induct their 'Vertical Heads' on the Board. For instance, as per Annual Report of ONGC for FY 2016-17, they had 7

EDs including Director (Finance), Director (HR), Director each for onshore and offshore activities of the Company, and so on. Such practice is generally observed in majority of PSUs as they induct the heads of various departments on their Board. Graph(s) 5:



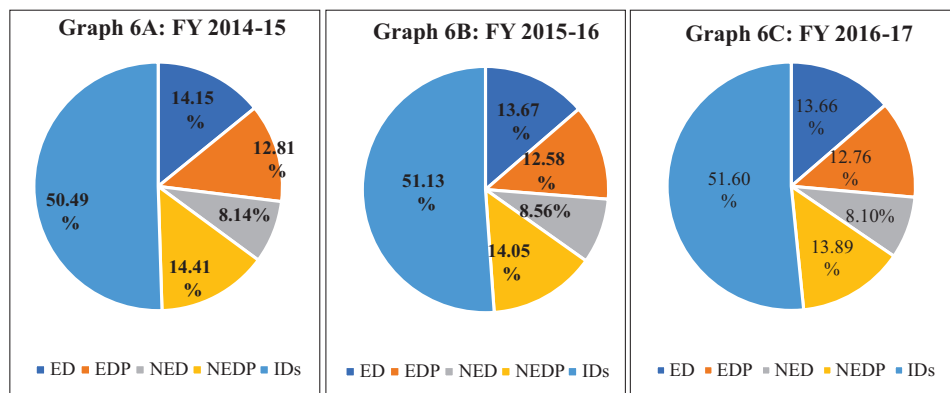
Composition of the Board of Directors of the Sample Companies along with the Nature of Directorships during three financial years is given in below:

Nature of Directorship	FY 2014-15		FY 2015-16		FY 2016-17	
	Number	Percentage	Number	Percentage	Number	Percentage
ED	603	14.15%	605	13.67%	616	13.66%
EDP	546	12.81%	557	12.58%	575	12.76%
NED	347	8.14%	379	8.56%	365	8.10%
NEDP	614	14.41%	622	14.05%	626	13.89%
ID	2,152	50.49%	2,263	51.13%	2,326	51.60%
Total	4,262	100.00%	4,426	100.00%	4,508	100.00%

ED – Non-Promoter Executive Director; EDP – Promoter Executive Director; NED – Non-Executive Non-Independent Director; NEDP -Promoter Non-Executive Non-Independent Director; ID – Independent Director.

From the above, it is seen that across the three-year period Promoters EDs have remained around 12.8% of the Board size, while marginal decrease is noticed in number of Non-Promoter EDs from 14.15% in 2014-15 to 13.66% in 2016-17. Total Promoter directors (EDs and NEDs) have also seen a marginal drop from 27.22% in 2014-15 to 26.64% in 2016-17. Indicating that about 25%+ of the Board of all companies are filled with Promoter Directors. Independent Directors have increased marginally by 1.11%, from 50.49% in 2014-15 to 51.60% in 2016-17, probably due to SEBI mandate of 50% IDs in companies having Promoter or Executive Chairman.

Board percentage distribution YoY of the Table 8 is indicated in a pie-chart (Graph(s) 6):



The data for 2016-17 was further examined to find if the pattern is any different based on ownership. Table 9 shows bifurcation of various type of directors in MNCs, PSUs and Indian Corporates for 2016-17.

Nature of Directorship	Indian Corporate	Percentage	MNC	Percentage	PSU	Percentage
ED	385	10.28%	71	19.67%	160	39.80%
EDP	550	14.69%	17	4.71%	8	1.99%
NED	321	8.57%	38	10.53%	6	1.49%
NEDP	480	12.82%	70	19.39%	76	18.91%
ID	2,009	53.64%	165	45.71%	152	37.81%
Total	3,745	100.00%	361	100.00%	402	100.00%

ED – Executive Director; EDP – Promoter Executive Director; NED – Non-Executive Non-Independent Director; NEDP -Promoter Non-Executive Non-Independent Director; ID – Independent Director.

It can be seen that while in MNCs most of the EDs are Non-Promoters, however, in case of Indian Corporates, Promoter EDs are quite large in number. Promoter EDs (14.69%) in Indian Corporates are about 40% more than Non-Promoter EDs (10.28%). Whereas in MNCs Non-Promoter EDs at 19.67% are almost 4.5 times more than Promoter EDs. Indicating that in MNCs most of the EDS are professionals. As regards PSUs, as observed earlier most of the EDs are Non-Promoters. Both in MNCs and Indian Corporates, number of Promoter NEDs is

much higher than Non-Promoter NEDs, which is on expected lines as these are Non-Independent Director NEDs. However, in MNCs the ratio between Promoter NED and Non-Promoter NED is almost 2:1, whereas, in case of Indian Corporates the ratio is less at 1.5:1.

How the average Board size distribution in terms of number of directors has moved over the years is given below:

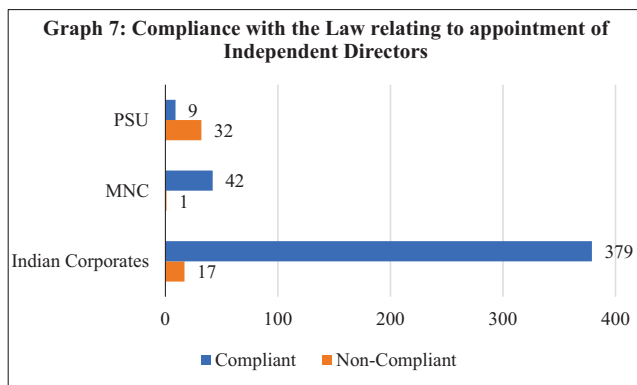
Table 10			
Nature of Directorship	FY 2014-15	FY 2015-16	FY 2016-17
ED	1.35	1.29	1.28
EDP	1.22	1.19	1.20
NED	0.78	0.81	0.76
NEDP	1.37	1.33	1.30
IDs	4.81	4.83	4.85
Total	9.53	9.44	9.39

ED – Executive Director; EDP – Promoter Executive Director; NED – Non-Executive Non-Independent Director; NEDP –Promoter Non-Executive Non-Independent Director; ID – Independent Director.

While the average number of EDs and NEDPs have witnessed a downward trend, the proportion of Independent Directors is increasing steadily albeit in a very small number. Major portion of decline in average ED and NED NID has resulted in overall decline in board size. In three year period, the average board size fell by 0.14 per board, while increase in IDs was 0.04 director/ board. This together resulted in reduction of EDs and NED-NIDs by 0.18 director/ board.

Board Independence:

The Board of a Company must comprise of optimum number of Independent Directors so that the decisions of the Board are free of any conflict of interest. The law requires that at least 50% of the Board must consists of Independent Directors if the Chairman of the Company is an ED or is related to Promoters. However, if the Chairman of the Board is a Non-Executive Non-Promoter Director, then, the Company must ensure that 1/3rd of the Board comprises of IDs. During FY 2016-17, there have been instances where certain Companies have failed to maintain adequate percentage of Independent Directors on their Board.



In light of the above, it may be pertinent to observe the data on Independence of Board between MNCs, PSUs, and Indian Corporates. 54% of Directors on the Board of Indian Corporates are Independent Directors, while the same proportion

stands at 46% for Foreign MNCs as indicated in Pie chart under Graph 5B. Since, Indian Corporates are majorly Promoter Driven Companies, where promoter director chairs the Board also, therefore, such companies require 50% of IDs in such cases. Similar is the case with PSUs also, which are mostly headed by an Executive Chairman. One may note that only 38% of the directors in PSUs are independent. This is despite the fact that majority of the PSUs have a clubbed position for its Chairman and Managing Director, which requires at least 50% of Independent Directors on the Board. Baring few, all the PSUs have remained non-compliant with the regulation relating to the requirement of Independent Directors on the Board during the past 3 years.

While, the onus of appointing the IDs on the Board lies with the respective Ministry concerning the PSU, the lack of requisite number of Independent Directors on PSU Board is not only a poor Corporate Governance practice, but also a major compliance issue. Graph 7, gives breakup across three categories (PSU, MNC & Indian Corporates) on Compliant/ Non-Compliant companies with respect to independence of board.

It is seen that out of total 480 companies in the Sample, in 2016-17, total 50 companies were non-compliant indicating about 10.42% companies were short of the stipulated ID requirement as on 31st March, 2017. While the law provides time period of 3 months or subsequent Board meeting, whichever is later, therefore, while the board may be short of stipulated independent Directors, it may not be a violation under the law.

Major non-compliance was observed in case of PSUs, which had about 64% of non-compliant companies numbering 32. Within PSU space, out of 41 companies, 32 (78%) were non-compliant. Only 1 MNC was an ID short as on 31st March,

2017, whereas the same number for Indian Corporates was 17. Table 11, List out MNCs and Indian Corporates who were non-compliant:

Table 11: List of MNC and Indian Corporates who were non-compliant					
S. No.	Company Name	Chairman	Indian Corporates / MNC	Percentage as on 31 st March, 2017	Present Status as on 30 th Sept, 2017*
1	Tata Communications Ltd	ID	Indian Corporate	22%	Not Compliant
2	Petronet LNG Ltd	NEDP	Indian Corporate	23%	Not Compliant
3	Laurus Labs Ltd	ID	Indian Corporate	30%	Compliant
4	Hindustan Zinc Ltd	NEDP	Indian Corporate	38%	Not Compliant
5	IFB Industries Ltd	EDP	Indian Corporate	38%	Non-Compliant
6	PTC India Financial Services Ltd	NEDP	Indian Corporate	38%	Non-Compliant
7	PTC India Ltd	MDED	Indian Corporate	40%	Non-Compliant
8	Jindal Steel & Power Ltd	EDP	Indian Corporate	42%	Compliant
9	Vedanta Ltd	ED	MNC	43%	Compliant
10	CG Power and Industrial Solutions Ltd	NEDP	Indian Corporate	44%	Compliant
11	Escorts Ltd.	MD	Indian Corporate	44%	Compliant
12	Tata Motors Ltd.	NEDP	Indian Corporate	44%	Compliant
13	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	NEDP	Indian Corporate	44%	Non-Compliant
14	GRUH Finance Ltd	NEDP	Indian Corporate	44%	Compliant
15	JBF Industries Ltd	EDP	Indian Corporate	44%	Non-Compliant
16	PNB Housing Finance Limited	NEDP	Indian Corporate	44%	Compliant
17	Bombay Rayon Fashions Ltd	NEDP	Indian Corporate	45%	Non-Compliant
18	Bajaj Auto Ltd	EDP	Indian Corporate	47%	Compliant

As averages do not reveal extreme data points, and can easily hide non-compliance under its fold, Table 12 gives list of companies (10 from bottom) which are non-compliant with respect to independence of the board as they have the least proportion of IDs on their Board. Not surprisingly almost all are PSUs, barring two, Tata Communication and Perronet LNG. Even these two are non-compliant due to their association with government.

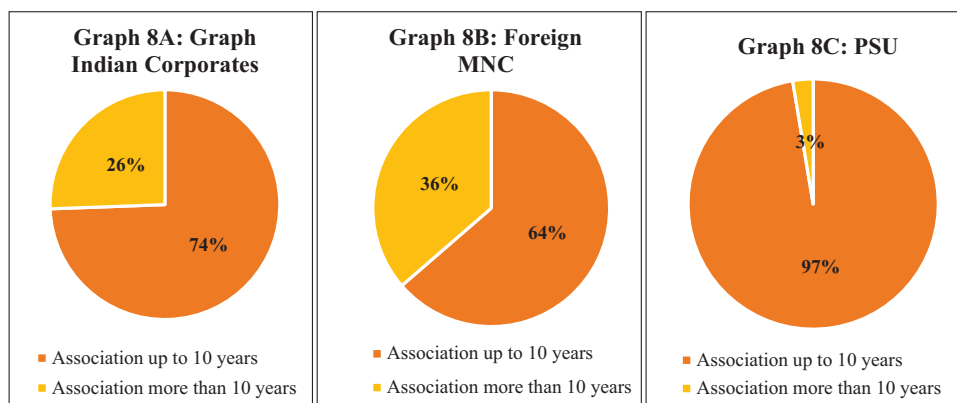
Table 12: Board Independence Compliance						
S. No.	Company Name	Chairman	Indian Corporates / PSU	Board Independence Percentage	Statutory Requirement	Compliant Status as on 31 st March, 2017
1	Oil India Ltd	CMD	PSU	0%	50%	ID less than required
2	Mangalore Refinery and Petrochemicals	Promoter NED	PSU	13%	50%	ID less than required
3	Balmer Lawrie & Company Ltd	CMD	PSU	14%	50%	ID less than required
4	ITI Ltd	ED	PSU	17%	50%	ID less than required
5	Power Finance Corporation Ltd	No Chairman	PSU	17%	50%	ID less than required
6	Indian Oil Corporation Ltd.	ED	PSU	20%	50%	ID less than required
7	Chennai Petroleum Corporation Ltd	Promoter NED	PSU	22%	50%	ID less than required
8	Tata Communications Ltd	ID	Indian Corporate	22%	33%	ID less than required
9	Petronet LNG Ltd	Promoter NED	Indian Corporate	23%	50%	ID less than required
10	NTPC Ltd	CMD	PSU	25%	50%	ID less than required

Table 13, gives list of companies which have highest percentage of independent Directors on their Board. All of the companies belong to Indian Corporates category. Karnataka Bank Ltd. has a board which has 88% of IDs, followed by Eicher & Unichem Laboratories which has 83% Board independence.

Table 13: Top 10 Companies with maximum percentage of Independent Directors on the Board				
S. No	Company Name	No. of Directors as on 31 st March, 2017	No of Independent Directors	Percentage
1	Karnataka Bank Ltd	8	7	88%
2	Eicher Motors Ltd	6	5	83%
3	Unichem Laboratories Ltd	6	5	83%
4	Dr Reddys Laboratories Ltd	10	8	80%
5	Infosys Ltd	10	8	80%
6	Ashok Leyland Ltd	12	9	75%
7	CESC Ltd	8	6	75%
8	Greaves Cotton Ltd	8	6	75%
9	JM Financial Ltd	8	6	75%
10	Gati Ltd	8	6	75%

Tenure/ Association of Directors

Association of the Independent Directors with the Company is an important factor to consider, as long tenure/ association tends to vitiate independence. It remains a debatable point whether long tenure impacts independence or not. For some independence is state of mind, character of individual and many other factors and relationship does not impact the same. While it may be true, however, till date no technique has been developed to measure these subjective factors and behaviour traits. Therefore, association or tenure is the best measure till some better method is found. While, the Companies Act, 2013 restricts association of IDs with the Company for 2 terms of up to 5 years each, it excludes any association of the IDs with the Company prior to 1st April, 2014 (being the date on which provisions relating to Independent Directorship was made effective). This means that a person associated with a Company as an Independent Director for any length of time as on 31st March, 2014, can effectively serve for another 10 years on the Board of the same Company. While, such re-appointment is permitted under the law, it is not in consonance with the spirit behind the statute. Association of IDs across Companies with different ownerships is indicated in the 3 different Graphs 8A, 8B and 8C:



As on 31st March, 2017, more than 1/4th of total Independent Directors in Indian Corporates were associated with the Company for more than 10 years. While, this percentage increases to 36% in case of Foreign MNCs, it shrinks to mere 3% in case of PSUs. Does it mean that only PSUs have complied with the spirit behind the law?

Further analysis reveals that compliance by PSUs is mainly due to the fact that Directors in PSUs keep changing according to the Govt. diktat, which is quite frequent. As a result, Independent Directors who are already very scarce in PSUs keep changing. Only 3% of IDs have managed to remain more than 10 years as ID.

Table 14		
Association in years	Number of directors	%
50+	3	0.13%
40- <50	6	0.26%
30-<40	30	1.29%
20-<30	81	3.48%
10-<20	454	19.52%
0-10	1,752	75.32%
Total	2,326	100.00%

It seems that despite the fact that concept of independence of directors originated in developed countries, MNCs are the biggest defaulters as far as spirit of regulation goes. In case of MNC 36% directors (IDs) are associated for more than 10 years, indicating that even MNCs are following the law only in letter and not in spirit. Out of total 2,326, independent directors across the sample, 574 directors have tenure >10 years. There are directors who have been associated with the companies for as long as 4-5 decades.

It can be seen that if regulations were to be implemented in their spirit, around 25% of IDs have tenure more than the permissible tenure. A major chunk of non-compliant directors is in 10-20 year bracket. Table 15 gives details of directors with longest tenure.

Table 15: List of Top 10 Independent Directors with longest association with the Company as on 31 st March, 2017			
S. No	Director Name	Company Name	Association with the Company (in years)
1	Pradip Kumar Daga	Century Textiles & Industries Ltd	54
2	Rajendra Ambalal Shah	Procter & Gamble Hygiene and Health Care	53
3	Rajendra Ambalal Shah	Pfizer Ltd	52
4	Rajendra Ambalal Shah	BASF India Ltd	49
5	Madhav Laxman Apte	Bajaj Hindusthan Sugar Ltd	47
6	Hemraj Chaturbhuj Asher	Monsanto India Ltd	44
7	Vandana Ramchandra Walvekar	TTK Prestige Ltd	42
8	Arvind Singh Mewar	JK Tyre & Industries Ltd	42
9	Mansingh Laxmidas Bhakta	Reliance Industries Ltd	40
10	Jamshed Khurshed Setna	Colgate-Palmolive (India)	39

In the Table 15, we have 5 MNCs and 5 from Indian Corporates, indicating that governance in spirit is absent not only in Indian Corporates but in MNCs as well. Both appear to be equally guilty. However, the picture is not that simple, on proportional basis, MNCs would be more guilty because in the Sample there are only 43 MNCs whereas 396 are Indian Corporates.

Mr. Pradip Kumar Daga has been associated with Century Textiles & Industries Ltd. since June, 1963 taking his aggregate association with the Company to 54 years. Further, Mr. Rajendra Ambalal Shah has been associated with Procter & Gamble Hygiene and Health Care Ltd., Pfizer Ltd and BASF India Ltd for 53, 52 & 49 years, respectively. These directors were associated with the above Companies at a time, when the concept of Independent Director was not evolved. Although, all the directors in the above list are associated with the Company for more than 10 years, they have been classified as Independent Director by their respective Companies, which may not be conformity with the spirit behind the law.

Association of Non-Independent Director with the Company: Table 16 reflects names of top 10 longest serving Executive Directors based on their association with the Company. All these companies are promoter driven companies and not a single Non-Promoter Executive director name appears in the list. Does it mean that promoters have higher longevity compared to any professional ED? The answer is simple, going by history and data, a promoter can become ED in his/her early twenties, with barely any experience, whereas a non- Promoter has to slog and reach ED position after considerable years of experience and usually superannuates, whereas promoters generally do not superannuate and continue till they are able to continue. In fact, one wonders if the board evaluation does bring out this fact and can justify such appointments?

Table 16: 10 Eldest Promoter EDs

S. No.	Director Name	Company Name	Nature of Directorship	Association with the Company	Age	Age at Appointment
1	P. R. Ramasubrahman- eya Rajha	The Ramco Cements Ltd	EDP	59	82	23
2	Prithviraj Singh Oberoi	EIH Ltd	EDP	56	88	32
3	Kushal Pal Singh	DLF Ltd	EDP	54	86	32
4	Suresh Govind Kare	Indoco Remedies Ltd	EDP	54	78	24
5	Suresh Krishna	Sundram Fasten- ers Ltd	EDP	53	80	27
6	Rajendra Kumar Somany	HSIL Ltd	EDP	52	79	27
7	Mahavirprasad Suraj- mal Taparia	Supreme Industries Ltd	EDP	51	79	28
8	Raghupati Singhania	JK Tyre & Industries Ltd	EDP	50	70	21
9	Rajan Nanda	Escorts Ltd.	EDP	49	74	25
10	Azim Premji	Wipro Ltd.	EDP	49	72	23

The longest serving ED is Mr. P. R. Ramasubrahmaneya Rajha of Ramco Cements and second longest is Mr. Prithviraj Singh Oberoi of EIH. One can never know what the contribution of these people on Board is? One can certainly not brush off the contribution but can always pose a question, are these people as effective as they were decades back or if they are crucial to existence of company even at this age, what after them? Or they are just continuing on the board effectively in ornamental position and company will continue to grow with or without them. Ultimately, it boils down to honest board evaluation and effective functioning of NRC.

The average age of these promoter EDs on appointment was 26.1 years and the youngest appointee was Raghupati Singhania at the age of 21 years only, immediately after he would have become an adult in those days. K P Singh of DLF and P S Oberoi of EIH, were appointed at the age of 32 years.

Table 17 gives longest serving Non-Promoter EDs. The list contains 6 names of EDs who have spent about 25 or more years as ED. Four out of 6 are Indian Private Owned Companies and remaining two are professionally managed company. In case of Larsen & Toubro Ltd the concerned ED has since quit position of ED.

Table 17				
Director Name	Company Name	Age as on 31st March, 2017	Association as a Director	Age at Appointment
Hawa Singh Chaudhary	Jindal Saw Ltd	63	29	34
Anilkumar Manibhai Naik	Larsen & Toubro Ltd	75	28	47
Rajesh Kumar Gupta	Havells India Ltd	60	25	35
Arun Chandrasen Ashar	UPL Ltd	69	25	44
Blangat Narayanan Babu Raveendra	Manappuram Finance Ltd	65	25	40
Keki Minoo Mistry	Housing Development Finance Corporation Ltd	62	24	38

The average age at the time of appointment of these Non-Promoter EDs was about 40 years, contrast this with average age of ED Promoters, we find a gap of about 14 years. Once again confirming that a professional has to slog much more to reach

the position of ED compared to a Non-Promoter. Can it be said that it is because of genes that promoter kids are more capable or it is a case of born with silver spoon in mouth? Jury is not yet out on this.

Similar analysis has been done for longest Association of Non-Executive Director with the Company, the data is presented in Table 18:

Table 18					
Director Name	Company Name	Nature of Director-ship	Association	Age	Age at Appointment
Basant Kumar Birla	Kesoram Industries Ltd	NEDP	77	96	19
Nusli Wadia	Bombay Dyeing & Manufacturing Company Ltd	NEDP	49	73	24
Narendrakumar Kalyanji Parekh	Pidilite Industries Ltd	NEDP	48	79	31
Rajendra Ambalal Shah	Godfrey Phillips India Ltd	NED	48	86	38
Ashwin Suryakant Dani	Asian Paints Ltd	NEDP	47	74	27
Rahulkumar Kamalnayan Bajaj	Bajaj Holdings & Investment Ltd	NEDP	47	79	32
Ashwin C. Choksi	Asian Paints Ltd	NEDP	47	74	27
Kanaiyalal Maneklal Sheth	Great Eastern Shipping Company Limited	NEDP	47	85	38
Krishna Ramesh	Sundram Fasteners Ltd	NEDP	46	78	32
Dr. Vijaypat Singhania	Raymond Ltd	NEDP	46	78	32

Longest serving 10 NEDs are also found in only Indian Corporates, with one exception i.e. Godfrey Phillips India Ltd which can be treated as both as MNC or Indian owned. Mr. Rajendra Ambalal Shah is the only director who is associated with 4 companies as ID/ NID for 5 decades. Longest association is observed in case of Mr. B K Birla who has been a director for 77 years, probably the longest serving director in Indian corporate history, if not in the world. He is followed by Mr. Nusli Wadia, who has been a director for almost 5 decades, still 28 years behind record of Mr. Birla. The average age at appointment of these 10 directors was 30 years, almost 4 years higher than average age of Promoter EDs in the longest category, which was 26.10 years.

Further data was collated to find 10 youngest Promoter EDs. Following Table 19 contain data on 10 youngest promoter ED in our Sample.

Table 19: 10 Youngest Promoter EDs						
S. No.	Director Name	Age as on 31 st Mar, 2017	Company Name	Classification	Association	Age at Appointment
1	Arjun Govind Raghupathy	27	BGR Energy Systems Ltd	EDP	1	26
2	Sudarshan Venu	28	TVS Motor Company Ltd	EDP	4	24
3	Keshav Bhajanka	28	Century Plyboards Ltd	EDP	2	26
4	Nikita Bansal	28	Century Plyboards Ltd	EDP(W)	1	27
5	Nandamuri Brahmani	29	Heritage Foods Ltd	EDP(W)	4	25
6	Varun Jaipuria	29	Varun Beverages Ltd	EDP	8	21
7	Ishaan Gupta	29	Gateway Distriparks Ltd	EDP	5	24
8	Viral Saraf Mittal	30	Vinati Organics Ltd	EDP(W)	8	22
9	Devansh Jain	30	Inox Wind Ltd	EDP	8	22
10	Renil R. Gogri	30	Aarti Industries Ltd	EDP	5	25

The average age at appointment of these 10 youngest ED was 24.2 years against average age of 26.1 at the time of appointment of longest serving EDs, who would have been appointed in 1950's or 1960's. This indicates that not much has changed in the last 70 years as far as promoters exercising their ownership rights in their majority owned company, despite existence of various corporate governance regulations etc. In fact, average age at the time of appointment has come down by 2 years. Can we say that the advancement has resulted in reduction of appointment age for a person capable of leading the company at much younger age? One can keep on debating the issue endlessly as both sides can have their point of view. Youngest of the lot at the time of appointment is Mr. Varun Jaipuria who was appointed at the age of 21 years. Incidentally, there are three women in the list, indicating signs of changing times, where women have equal rights in family or a sign of compulsion due to legislation? The likelihood of former is much more as at least two of the three have been associated from the time when woman director was not mandated.

Following are the details of youngest Non-Promoter EDs in sample companies:

S. No.	Director Name	Age as on 31st March, 2017	Company Name	SES Classification	Association	Age at Appointment
1	Arihant K. Baid	33	Rupa & Company Ltd	ED	2	31
2	Mohit Malhotra	39	Godrej Properties Ltd	ED	2	37
3	Venkatesalu Palaniswamy	40	Trent Ltd	ED	2	38
4	Prachi A. Deshpande	40	Bombay Rayon Fashions Ltd	ED(W)	2	38
5	Ashwini O. Kumar	41	Indiabulls Housing Finance Ltd	ED	6	35
6	Amiteshwar Choudhary	41	Indiabulls Ventures Ltd	ED	0	41
7	Gagan Banga	42	Indiabulls Housing Finance Ltd	ED	12	30
8	Vishal G. Damani	42	Indiabulls Real Estate Ltd.	ED	2	40
9	Ignatius Navil Noronha	42	Avenue Supermarts Ltd.	ED	12	30
10	Vivek Sarwate	42	Schneider Electric Infrastructure Ltd	ED	2	40

The average age at the time of appointment of these directors is 36 years, whereas for promoter EDs it was observed to be 24.2 years. This proves the theory that non-promoter candidates have to slog to get to ED stage. Assuming this to be an unbiased sample of corporate India, it clearly shows that 12 years on average is difference between initial appointment of promoter and non-promoter ED. Youngest at the time of appointment is Mr. Gagan Banga and Mr. Noronha at 30 years.

The starting age gap between promoter and non-promoter EDs initial appointment which is around 12 years was around 14 years amongst longest serving promoter EDs and non-promoter EDs (older generations). This indicates that presently non-promoter professionals can aspire to become ED 2 year earlier as compared to decades of 60's and 70's. However, for promoter EDs also the starting age has come down.

A word of caution may be added here that this analysis is purely based on top 10

and bottom 10 data points in Sample. It may be a representative sample, or it may not be. Any definitive statement can be made only if all the positions of directors are analysed individually along with their qualifications, year of qualification, age, age at start of professional life and many other relevant factors. This detailed study is not in the ambit of this study.

Promoter and Non-Promoter Directors

Indian corporates have largely been Promoter driven, therefore, it is expected that they would be playing dominant role at the board level. It becomes all the more important to analyse the Board composition of the Sample Companies on the basis of Promoter Directorships. As per SEBI Listing Regulations, 2015, Promoter(s) can hold up to 75% of shareholding in a Company, while the remaining 25% has to be held by the Public, to comply with listing guidelines.

Further, PSUs which have more than 75% of Promoter shareholding have time till 21st August, 2018 to bring their shareholding below 75%. Also, certain Companies which have recently listed pursuant to an IPO also have Promoter shareholding in excess of 75% which they must bring down within time stipulated under the law. There are 21 Listed Companies which have Promoter shareholding more than 75% as on 31st March, 2017. Out of these 21, 10 are PSUs and the other 11 are Indian Corporates which have listed their securities recently or which had increased Promoters equity temporarily and subsequently brought it down. (Dhanuka Agritech Ltd which had 75.09% of Promoter shareholding as on 31st March, 2017, however reduced it subsequently to comply).

It is generally expected that a Company having greater Promoter shareholding will tend to have more Promoter Directors on the Board so that they are adequately represented on the Board of the Company. Following is the distribution of Promoter Directorship based on Promoter Shareholding.

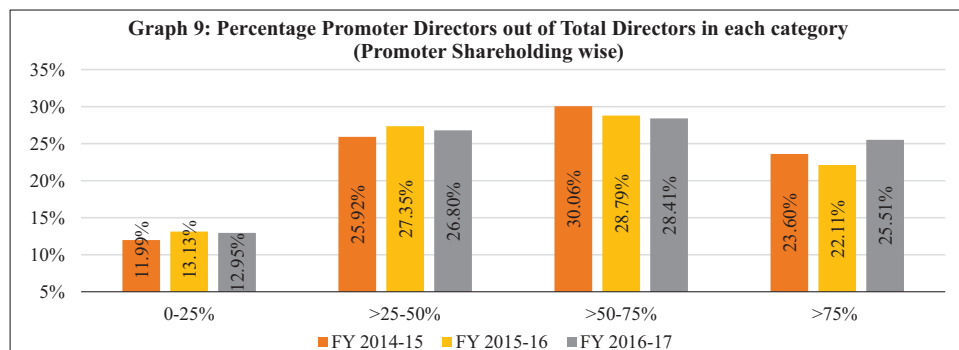


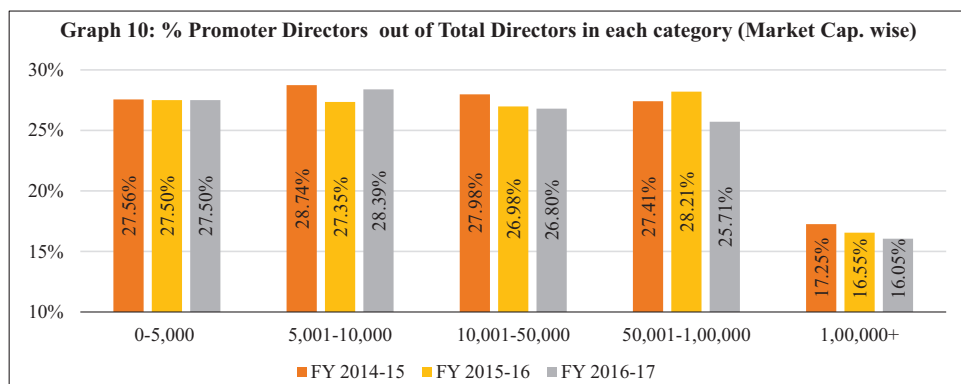
Table 21, indicates the number of Companies having respective Promoter Shareholding Pattern as referred in the Graph 9:

Table 21: Number of Listed Companies having different Promoter Shareholding			
Promoter Shareholding	2014-15	2015-16	2016-17
0-25%	26	28	35
25.01-50%	135	133	136
50.01-75%	261	275	288
Above 75%	19	22	21
Total	441	458	480

**While, Company data for FY 2014-15 & 2015-16 are 447 and 469, respectively, however, since the shareholding pattern of certain Companies were not available as on 31st March of the respective year end, therefore, they could not be considered for the purpose of computing the Promoter Shareholding, hence, such Companies have been excluded in the above table.*

Promoter Director on the Board of the Companies with less than 25% of Promoter shareholding has been in the range of 12-13%, while Companies having more than 50% but less than 75% of Promoter shareholding have Promoter Directors in the range of approx. 26-30%. From the data no association can be established on number of promoter directors with the shareholding as one would have expected. The reason is simple, in majority of the cases the promoter directors can be maximum 50%, and from this 50%, room has to be provided for Nominee director(s) if any, experts and Professional ED's. Therefore, very few companies can have directors from promoter category up to 50% or more.

While, the above analysis indicate that the Promoter shareholding and Promoter directorship is not positively co-related. Graph 10 depicts concentration of Promoter Directors on the Board of the Companies across Companies with different market capitalisation as on 31st March, 2017.



While, the proportion of Promoter Directors in Companies having market capitalisation up to ₹ 1 lac crores is agnostic to market capitalisation and has remained almost constant in narrow range 27.5%, Companies with market capitalisation in

excess of ₹ 1 lac crores have lesser proportion of Promoter Directors compared to other category. This category includes ‘Professionally managed Companies’, viz. ITC Ltd., Larsen & Toubro Ltd, HDFC Bank Ltd., ICICI Bank, Housing Development Finance Corporation Ltd which do not have any Promoter Director on their Board, thus, bringing down the average. The list also includes PSUs such as Coal India, ONGC, Indian Oil, NTPC and Power Grid, and these PSUs also do not have large number of Promoter directors.

Indian Corporates in the 1 Lac plus market cap are TCS, Reliance Industries, Kotak Mahindra Bank, Sun Pharma, Infosys, Wipro, HCL, Axis Bank, Hindustan Zinc, Tata Motors, Asian Paints Ltd, Maruti Suzuki Ltd and Bharti Airtel Ltd. Only Maruti is an outlier in this group having a large number of promoter directors on board i.e. 7 out of 12 directors are promoter directors. Two MNCs are in the list, viz. Maruti & HUL.

Table 22, lists the Number of Companies in each category based on the Market Capitalisation.

Table 22: Number of Listed Companies across different Market Capitalisation as on 31st March, 2017			
Market Capitalisation (in ₹ Cr)	2014-15	2015-16	2016-17
0-5,000	191	199	201
5,001-10,000	87	96	100
10,001-5,0000	124	129	133
50,001-1,00,000	20	20	21
1,00,000 and above	25	25	25
Total Companies	447	469	480

Table 23 shows companies with maximum promoter directors on the Board. Of these 10 companies, 4 are MNCs and other 6 are Indian Corporates, including GNFC, which is partly owned by Gujarat Government Company.

Table 23: Top 10 Companies having maximum number of Promoter Directors					
S. No	Company Name	PSU/MNC/ Indian Corporates	Total Board size	Total Promoter Directors	% Total Promoter
1	3M India Ltd	MNC	9	6	66.67%
2	Interglobe Aviation Ltd	Indian Corporate	6	4	66.67%
3	Maruti Suzuki India Ltd	MNC	12	7	58.33%
4	Godfrey Phillips India Ltd	MNC	9	5	55.56%
5	Escorts Ltd.	Indian Corporate	9	5	55.56%
6	Vinati Organics Ltd	Indian Corporate	9	5	55.56%
7	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	Indian Corporate	9	5	55.56%
8	Mphasis Ltd	MNC	9	5	55.56%
9	Muthoot Finance Ltd	Indian Corporate	10	5	50.00%
10	J Kumar Infraprojects Ltd	Indian Corporate	8	4	50.00%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 24 shows Ten companies with least number of promoter directors on the Board. Of these 10 companies 2 are MNCs and other 7 are Indian Corporates and one PSU.

Table 24: Top 10 Companies having Least Number of Promoter Directors					
S. No.	Company Name	PSU/MNC/ Indian Corporates	Total Board size	Total Promoter Directors	% Total Promoter
1	Ashok Leyland Ltd	Indian Corporate	12	1	8.33%
2	JSW Steel Ltd	Indian Corporate	12	1	8.33%
3	Indiabulls Housing Finance Ltd	Indian Corporate	12	1	8.33%
4	Hitachi Home & Life Solutions (India) Ltd	MNC	11	1	9.09%
5	NBCC (India) Ltd.	PSU	11	1	9.09%
6	Mahindra & Mahindra Ltd	Indian Corporate	11	1	9.09%
7	Exide Industries Ltd	Indian Corporate	10	1	10.00%
8	HCL Infosystems Ltd	Indian Corporate	10	1	10.00%
9	Colgate-Palmolive (India) Ltd	MNC	10	1	10.00%
10	Indian Hotels Co Ltd	Indian Corporate	10	1	10.00%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Incidentally in both the Tables, maximum and minimum number and % of promoter directors contain names of companies which are fairly successful in their respective field. Can one conclude that promoters' presence or absence on the Board has no impact? Or can one say that there is a remote control of promoters in cases where they are not directly present? Once again, it is difficult to conclude anything unless detailed study of empirical data is done.

Table 25 shows Ten companies with maximum number of promoter Executive directors on the Board. All these 10 companies are Indian owned corporates.

S. No.	Company Name	PSU/MNC/ Indian Corporates	Total Board size	No. of Promoter EDP	% Promoter EDs
1	Muthoot Finance Ltd	Indian Corporate	10	5	50%
2	J Kumar Infraprojects Ltd	Indian Corporate	8	4	50%
3	Prestige Estates Projects Ltd	Indian Corporate	8	4	50%
4	Jyothy Laboratories Ltd	Indian Corporate	6	3	50%
5	Nava Bharat Ventures Ltd	Indian Corporate	9	4	44%
6	Time Technoplast Ltd	Indian Corporate	9	4	44%
7	Sharda Cropchem Ltd	Indian Corporate	9	4	44%
8	Emami Ltd	Indian Corporate	16	7	44%
9	Century Plyboards (India) Ltd	Indian Corporate	16	7	44%
10	Bliss GVS Pharma	Indian Corporate	7	3	43%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 26 shows Ten companies with least number of promoter executive directors on the Board. Of these 10 companies only 1 is MNC 8 are Indian Corporates and one PSU.

S. No	Company Name	PSU/MNC/ Indian Corporates	Total Board size	No. of Promoter EDP	% Promoter EDs
1	Bhushan Steel Ltd	Indian Corporate	17	1	6%
2	NMDC Ltd	PSU	14	1	7%
3	SML ISUZU Ltd	MNC	13	1	8%
4	JSW Steel Ltd	Indian Corporate	12	1	8%
5	Indiabulls Housing Finance Ltd	Indian Corporate	12	1	8%
6	Deepak Fertilisers & Petrochemicals Corp Ltd.	Indian Corporate	12	1	8%
7	CEAT Ltd	Indian Corporate	12	1	8%
8	Jindal Steel & Power Ltd	Indian Corporate	12	1	8%
9	Cipla Ltd	Indian Corporate	12	1	8%
10	Gujarat Fluorochemicals Ltd	Indian Corporate	12	1	8%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 27: Top 10 Companies having maximum number of Promoter Non-Executive Directors

S. No.	Company Name	PSU/MNC/ Indian Corporates	Total Board size	No. of Promoter NEDP	% Promoter NEDs
1	Mphasis Ltd	MNC	9	5	56%
2	Interglobe Aviation Ltd.	Indian Corporate	6	3	50%
3	Gujarat Gas Ltd	PSU	10	5	50%
4	Inox Leisure Ltd	Indian Corporate	8	4	50%
5	ICRA Ltd	MNC	8	4	50%
6	WABCO India Ltd	MNC	8	4	50%
7	Karur Vysya Bank Ltd	Indian Corporate	11	5	45%
8	3M India Ltd	MNC	9	4	44%
9	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	Indian Corporate	9	4	44%
10	Chennai Petroleum Corporation Ltd	PSU	9	4	44%

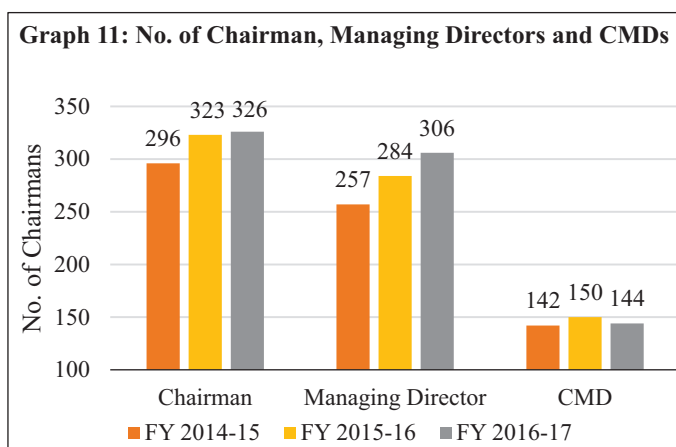
Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Table 28: Top 10 Companies having minimum number of Promoter Non-Executive Directors

S. No	Company Name	PSU/MNC/Indian Corporates	Total Board size	No. of Promoter NEDP	% Promoter NEDs
1	Bhushan Steel Ltd	Indian Corporate	17	1	6%
2	Aarti Industries Ltd	Indian Corporate	16	1	6%
3	Emami Ltd	Indian Corporate	16	1	6%
4	Reliance Industries Ltd	Indian Corporate	14	1	7%
5	NCC Ltd	Indian Corporate	14	1	7%
6	Ashok Leyland Ltd	Indian Corporate	12	1	8%
7	NLC India Ltd (Neyveli Lignite Corporation Ltd)	PSU	12	1	8%
8	Deepak Fertilisers & Petrochemicals Corp Ltd.	Indian Corporate	12	1	8%
9	CEAT Ltd	Indian Corporate	12	1	8%
10	Jindal Steel & Power Ltd	Indian Corporate	12	1	8%

Note: Directors holding directorships in the Promoter Company and those related to Promoters, are considered Promoter Director.

Chairman & Managing Director (CMDs) and Chairman of the Board:



Corporate structure envisages three layers, at the top is General Body of shareholders, which guides and approves proposal of the Board, second in line is the Board, which is directed by General body, AoA and MoA and which sets agenda

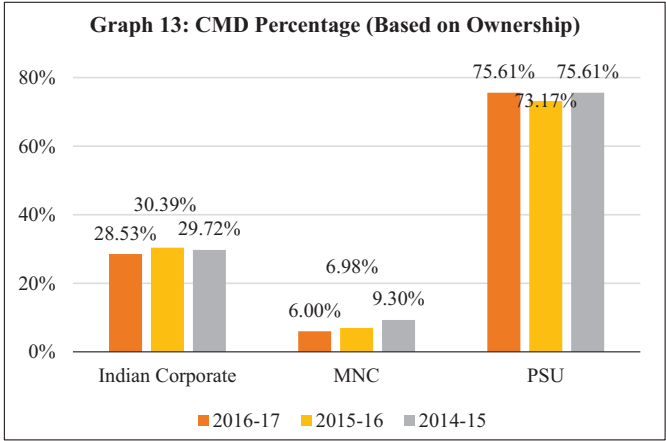
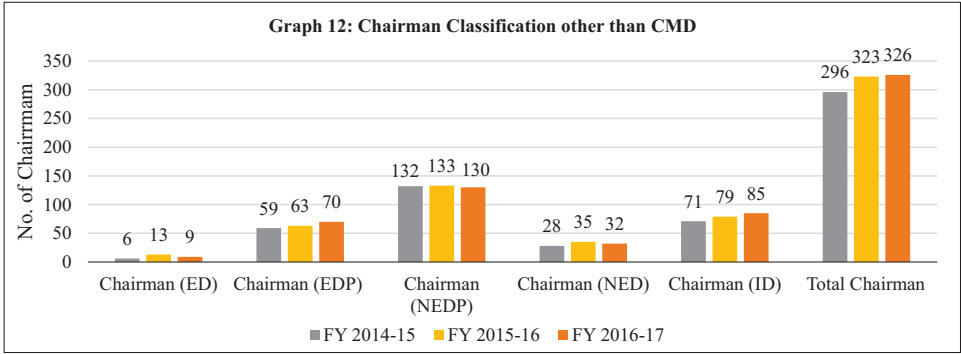
for Management, lays down policy, future plans. The Board is headed by Chairman. The Management which is at the bottom of pyramid is headed by Managing Director/ CEO, who is responsible for day to day management and operational issues. There is no legal bar for an individual to be appointed as Chairman & Managing Director if the articles of the Company so provide. However, combining both the Position of Chairman and Managing Director of the Company and appointing an individual to hold both positions, has potential to lead to a situation where power is concentrated in an individuals' hand and can create conflict of interest situation. Combination of position of MD and Chairman blurs the demarcation between Board and Management.

In the three-year period under review, number of CMD positions have increased marginally from 142 to 144, on the other hand, Chairman of the Company (not also the Managing Director) has increased to 326 from 296. However, in these years Sample also increased from 447 companies to 480 companies on account of new listings.

Table 29: No. of Chairman and Managing Directors (CMDs) based on Promoter	
Promoter / Non-Promoter	FY 2016-17
Promoter CMDs	110
Non-Promoter CMDs	34
Total	144

It can be seen that predominantly CMD position is occupied by promoter, 76% of CMDs were promoters. Although, the number of Chairman count is not strictly

comparable between FY 2014-15, FY 2015-16 & FY 2016-17 as the number of Companies during FY 2016-17 is greater than the previous 2 years, however, if one goes by the CMD to Chairman (non-CMD) ratio, there appears to be a pattern wherein Companies are separating the positions of Chairman and the Managing Director during the past 2 years.



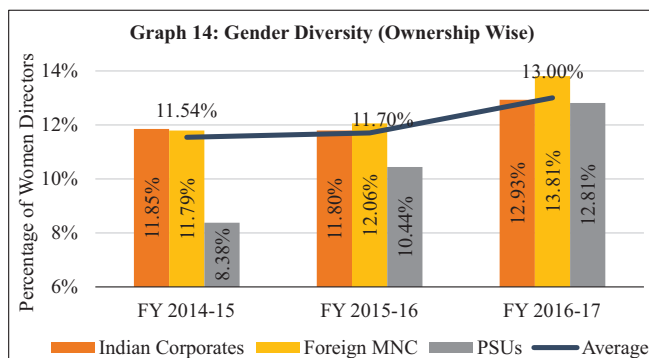
The Graph 12 reveals that predominantly chairman of the Board in cases where the position is separated is promoter director. Of the 326 chairmen across our Sample in 2016-17, a total of 200 were promoters (130 NEDP and 70 EDP) indicating almost 2 in

3 are promoter chairmen. Only handful of companies had a Non-Promoter ED as chairperson. And if we add CMD positions as well it is found that out of 480 sample companies, in 310 companies promoters are occupying chairman position, which amounts to almost 64.5% of total sample. Narrowing down further in 396 Indian Corporates 295 are promoter chairman or CMD, indicating that 75% of Indian Corporates have promoter at the top.

From Graph 13 it can be seen that most PSUs have position of Chairman and MD combined at almost 75%, the lowest proportion is observed in case of MNCs which have only 9.30% CMD positions as at 31st March, 2017.

Gender Diversity:

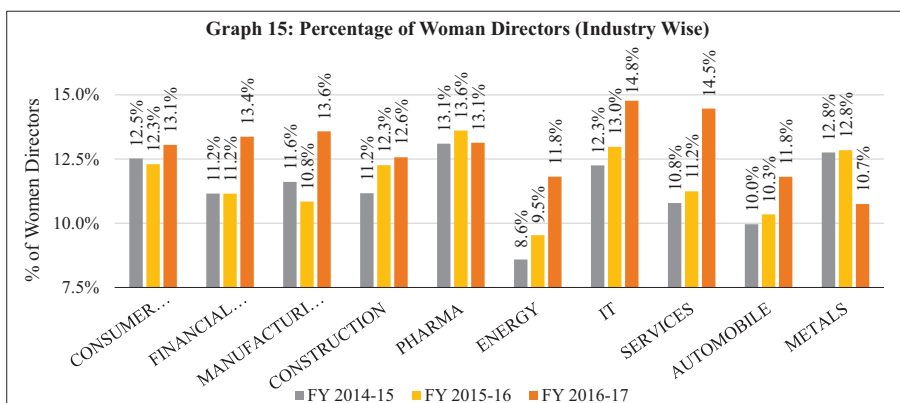
Gender diversity is seen to make a positive impact in the decision-making process and management of a Company. The Companies Act, 2013 and the SEBI Listing Regulations have mandated at least one-woman director on the Board of a Listed Company. Kotak committee has gone a step further and recommended that at least one-woman ID must be appointed on every listed Company



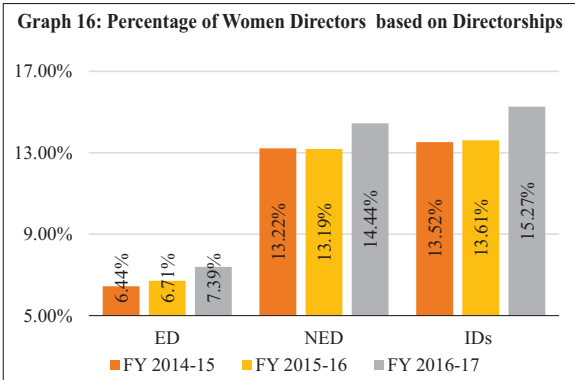
Data on women directors in sample companies is given in Graph 14, it can be seen that there has been a marginal increase in the average number of women directors on the Board of NIFTY 500 Companies. In the

Sample companies the average number of women directors has increased from 11.54% to 13.00% in the past 3 years. Significant improvement can be observed in the PSUs where the percentage of women directors on the Board has improved from 8.38% in FY 2014-15 to 12.81% FY 2016-17. At 13.81% MNCs have the highest percentage of women directors as on 31st March, 2017.

The study has also analysed gender diversity on the basis of industry as categorised by NSE. Graph 15 indicates percentage of woman director on the Boards of Companies in various industries. Industries having at least 25 Companies have been considered. Accordingly, gender diversity and trends for 3 years have been collated across 10 different industries.

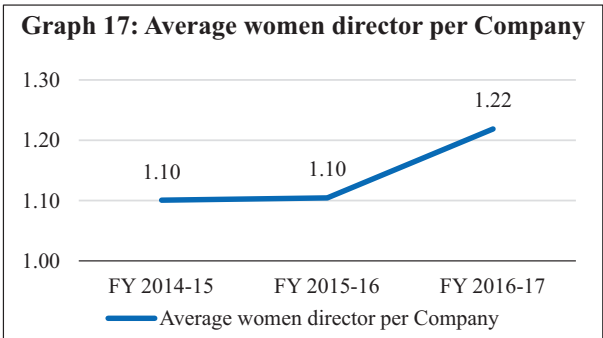


Except for Metals and Pharma, all other industries have witnessed an increase in the percentage of women directors on the Board of the Company during FY 2016-17. IT and Services industry has almost 15% of women directors on their Board during FY 2016-17, whereas Metals, Energy and Automobiles has only 10.70%, 11.80% and 11.80% of women directors on their Board, respectively during the same period.



Based on directorship, women directors have made improvement across all categories, including Executive and Non-Executive Directorships. 15.27% of Independent Directors during FY 2016-17 were women, however, their composition drops significantly to 7.39% while computing percentage of

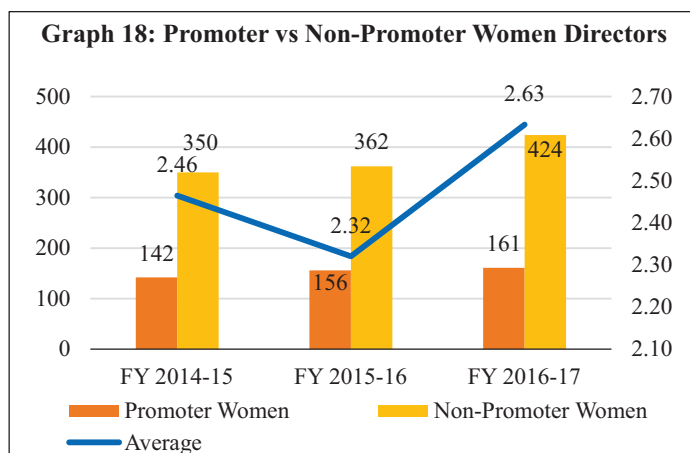
women directors in the Executive Category during the same period. This figure was 6.44% only during FY 2014-15. Graph 16, indicates that while participation of women directors in around 13-15% in the Non-Executive category excluding Independent Directorship, their proportion reduces significantly in the Executive Category as on 31st March, 2017. While, the Executive work still appears to be in favour of male directors in a ‘man-dominated society’.



Graph 17 reveals average women director in a board across sample companies. In FY 2014-15 & FY 2015-16, there was 1.10 women director in a board, the number has increased to 1.22 women/ board. This amounts to about 11%

increase in the numbers. Going by the trend and the emphasis laid to gender diversity across the globe, the percentage of women directors on the Board appears to move in only one direction i.e., in a positive direction.

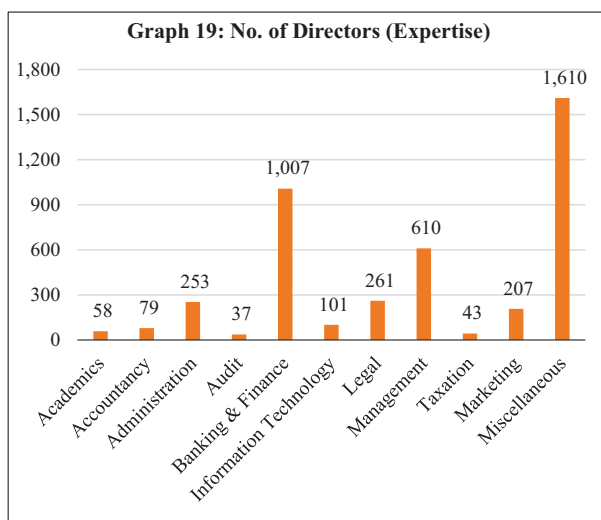
Promoter vs Non-Promoter Women Directors:



In various forums, there has been opposition for mandating appointment of a woman director on board, citing the scarcity of women directors available to take up position. The opposition grows louder when

proposal is mooted to mandate appointment of independent women director. Graph 18 gives details of promoter and non-promoter women directors. It can be seen that while increase across three-year period in number of promoter women director was only 19, from 142 promoter women directors in 2014-15 to 161 in 2016-17, the increase in non-promoter women director was seen at 74, from 350 non-promoter women directors in 2014-15 to 424 in 2016-17. Indicating that increase in Non-Promoter director was almost 4 times. This data must silent all those who are crying hoarse on shortage.

Expertise and Educational Background:



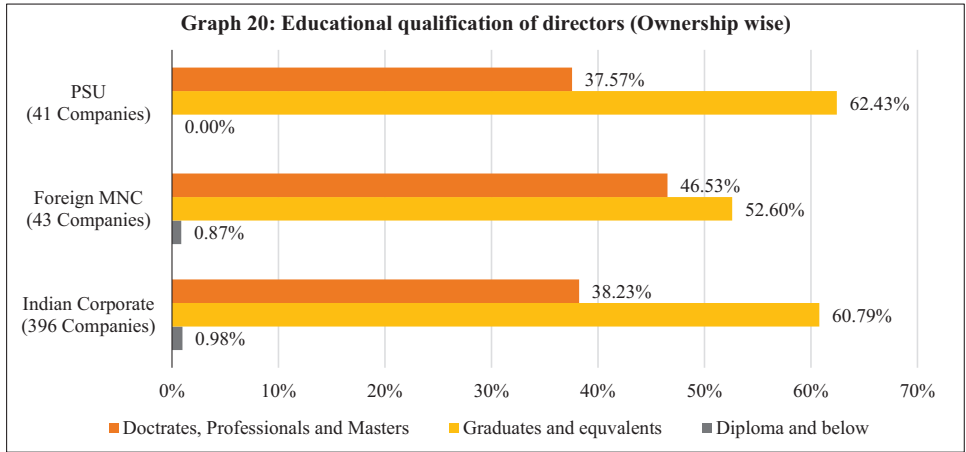
A Board must also have an optimum balance of individuals from different backgrounds that are concerned with the Company. A sound Board will have an appropriate mix of directors from diverse fields such as Legal, Finance, Administration, etc. Such diverse Board helps the Company in attaining specialised knowledge from their

directors and appropriate guidance wherever required. Out of total universe of 4,508 director’s expertise of approx. 4,266 directors has been captured and categorised in 10 board headings. Expertise that were specific to the respective business of the Companies have been categorised under Miscellaneous.

Majority of directors in the NIFTY 500 Companies are having expertise in Banking and Finance field, followed by Management. As per the data, expertise in Audit & Taxation had least number of directors during FY 2016-17.

Further, in Table 30 & Graph 20, Educational qualifications have been captured and segregated of almost 4,282 directors out of total universe of 4,508 directors in NIFTY 500 Companies. in terms of educational qualifications majority of directors are Graduates and equivalents. PSUs have the highest proportion of Graduates, while Foreign MNCs have highest percentage of Directors who are Doctorates, Professionals or hold master’s degrees. Out of total 4,282 directors, only 0.89% (38) do not have graduate degree, while 60.25 % (2,580) have a graduate and equivalent degree, rest 38.84% (1,663) are either post graduate, professionally qualified or even have multiple professional qualification.

Table 30					
Category	Diploma & below	Graduates & Equivalents	Doctorates, Professionals & Equivalents	Total	Total Companies
Indian Corporates	35	2,167	1,363	3,566	396
MNC	3	182	161	346	43
PSU	0	231	139	370	41
Total	38	2,580	1,663	4,282	480



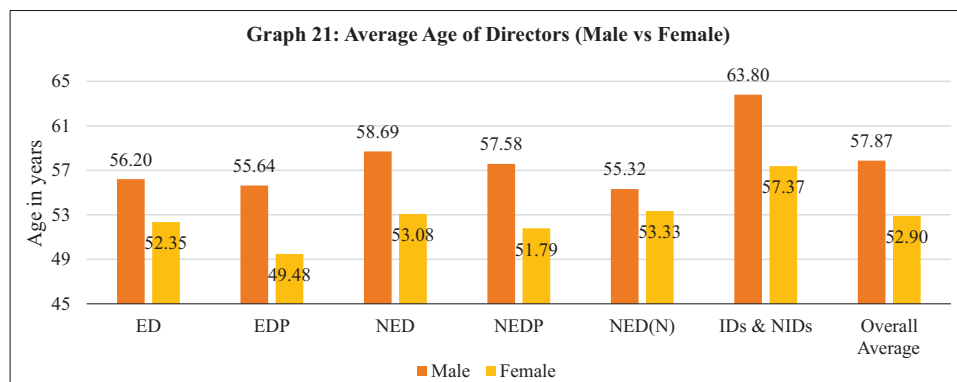
46.53% of directors in Foreign MNC are Doctorates, Professionals or holding master's degree. Proportion of such directors in the PSU and Indian Corporates categories are around 37-38%.

Also, PSUs have the highest percentage of directors who are Graduates and equivalents. Number of directors that are holding only a diploma degree or below are negligible when compared with others.

Age of Directors

Directorship wise: While, age per se may not be an element of proficiency and ability of a director, however, it may be an important factor while undertaking a succession planning. The Companies Act, 2013 has stipulated that no Executive Director be appointed or re-appointed post attainment of 70 years unless a special resolution by the shareholders in passed in this regard. While, there is no such age bar for Non-Executive Directors, the 'Kotak Committee Report on Corporate Governance' specifies that such demarcation be also extended to Non-Executive Directors. The Committee recommended that NED above 75 years, must obtain consent of shareholders vide a special resolution in order to continue on the Board of the Listed Company.

Graph 21 depicts the data on age of Directors including Promoter Executive Directors ('EDP'), Non-Executive Non-Independent Promoter Directors ('NEDP') and Non-Executive Nominee Directors ('NED(N)') of NIFTY 500 Companies as on 31st March, 2017.



Overall in the Sample, average age of male directors is 57.87 years, whereas average age of women directors is 52.90, with a clear gap of around 5 years. In other words, female directors on an average is 5 years younger to their male counterpart. This gap is almost same across all category of directors except in case

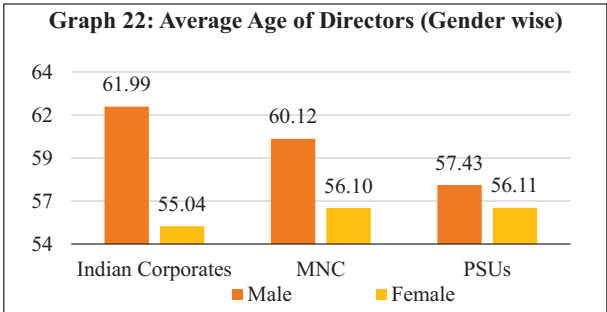
of nominee directors. The Nominee Directors (NED(N)) in the above graph are nominees of Public Financial Institutions or Banks, who represent the interest of their respective Public Financial Institutions or Banks in the Listed Companies. The gap between the age of male and female director is only 2 years, which is the least in all categories. Reason for this is not difficult to see. Most of nominee directors are employees of institutions and nomination takes place only after reaching a level of seniority in organisation, and in organisations there is no differentiation between male and female for promotions. Further, for nominee directors there is no mandate for appointing women directors.

Youngest of all the directors are women Promoter Executive Directors, whereas Independent Directors in the male category appear to be the most experienced according to the above graph. Average age of Independent Directors (male) being above 60 indicates that being an ID in the Board of a Company is most likely to be a ‘Post retirement job’, rather than a professional work. Independent Directors are generally those persons who carry vast experience in their respective fields so that they could contribute and add value to the Board of the Company where they are IDs, therefore, higher age of Independent Directors (man or female) is not surprising.

On the other hand, higher variation in the age of male and female category can be observed in the ID and NEDP category.

The other possible reason could be that women director is a comparatively a recent phenomenon, whereas male directors have been occupying board positions since long.

Ownership wise: While the data of NIFTY 500 Companies indicate that age of male directors has remained more than that of the women directors, however, it may also be pertinent to study the age difference between Indian Corporates, Foreign MNCs and PSUs.



Graph 22, indicates average age of male directors versus that of the female directors across all categories. While, the Indian Corporates appear to have the highest difference in the age of male and female directors, the

PSUs have maintained a very good ratio in terms of age of women and men directors. There is almost a 7 years gap between the male and female directors in the Indian Corporates, compared to less than 1.5 years in the PSU category and almost 4 years in MNCs. The data clearly reflects factual position which can be logically explained. In case of PSUS most of the directors are government appointees and are serving employees, with retirement age being 60 years, it is logical to have directors with less than 60 years, with very little gap between men and women. In case of MNCs, women have been occupying senior positions including board positions for long, therefore difference is not very large. On the contrary, in case of Indian Promoter owned Corporates, women director is recent phenomenon and a decade back women directors were far and few.

Table 31: 10 Youngest Directors on the Board of NIFTY 500 Companies during FY 2016-17				
Ranking	Director Name	Age as on 31st March, 2017	Company Name	Nature of Directorships
1	Ruchir Kumar Modi	23	Godfrey Phillips India Ltd	NEDP
2	Namrata Bhutada	24	Shilpa Medicare Ltd	NEDP(W)
3	Shashwat Goenka	26	Firstsource Solutions Ltd	NEDP
4	Shom Ashok Hinduja	26	Gulf Oil Lubricants India Ltd	NEDP
5	Amruta Velumani	26	Thyrocare Technologies Ltd	NEDP(W)
6	Jayvardhan Vinod Goenka	27	D B Realty Ltd	NEDP
7	Avantika Gupta	27	Techno Electric & Engineering Company Ltd	NEDP(W)
8	Arjun Govind Raghupathy	27	BGR Energy Systems Ltd	EDP
9	Avni Kishorkumar Biyani	27	Future Lifestyle Fashions Ltd	NEDP(W)
10	Keshav Bhajanka	28	Century Plyboards (India) Ltd	EDP

Mr. Ruchir Kumar Modi of Godfrey Phillips India Ltd, tops the list with only 23 years as on 31st March, 2017. In 10 youngest directors, there are 4 women directors also. However, all 10 directors belong to promoter family.

Table 32: 10 Eldest Directors on the Board of NIFTY 500 Companies during FY 2016-17				
Ranking	Director Name	Age as on 31 st March, 2017	Company Name	Nature of Directorships
1	Basant Kumar Birla	96	Century Textiles & Industries Ltd	NEDP
		96	Kesoram Industries Ltd	NEDP
2	Seetharamaiah Devineni	91	Heritage Foods Ltd	ID
3	B.S.Bajaj	90	Natco Pharma Ltd.	ID
4	Brij Mohan Khaitan	90	CESC Ltd	ID
		90	Eveready Industries India Ltd	NED
		90	McLeod Russel India Ltd	NEDP
5	Dharam Vir Kapur	89	Reliance Industries Ltd	ID
		89	DLF Ltd	ID
6	Dhruba Narayan Ghosh	89	Housing Development Finance Corporation Ltd	ID
		89	Birla Corporation Ltd	ID
7	Jamshed Khurshed Setna	89	Colgate-Palmolive (India) Ltd	ID
8	Salil Kumar Gupta	89	SREI Infrastructure Finance Ltd	ID
9	Kotamreddi Balarama Reddy	89	Nava Bharat Ventures Ltd	ID
		89	GVK Power & Infrastructure Ltd	ID
10	Lakkavajjala Subrahmanya Sarma	88	Granules India Ltd	ID

Mr. Basant Kumar Birla at 96 years, is the senior most director amongst the NIFTY 500 Companies. Top 10 eldest directors are directors in 16 Companies. Mr. Brij Mohan Khaitan who is 90 years of age, holds Non-Executive Directorship (including ID in CESC) in 3 Listed Companies. Mr. Basant Kumar Birla who is 96 years old, is holding directorship in 2 Listed Companies. None of these directors are holding any Executive Directorship in any Listed Company in the NIFTY 500 as on 31st March, 2017. 12 out of the 16 directorships as per the above table is Independent. It can be said that companies not only continue with old and seasoned promoter directors but continue with old and seasoned IDs as well.

Data regarding cumulative experience of all the Board members put together was collated and the board with maximum cumulative age or highest average age is given in Table 33, on the other hand 10 youngest Board are collated in Table 34

Table 33					
S. No	Name of the Company	Aggregate Age	No. of Director	Ave age	Eldest Directors (Age as on 31 st March, 2017)
1	Housing Development Finance Corporation Ltd	814	11	74.00	Dhruba Narayan Ghosh (89)
2	Supreme Industries Ltd	738	10	73.80	Yogendra Premkrishna Trivedi (88)
3	Unichem Laboratories Ltd	434	6	72.33	Ramdas Maneklal Gandhi (84)
4	Century Textiles & Industries Ltd	577	8	72.13	Basant Kumar Birla (96)
5	Supreme Petrochem Ltd	642	9	71.33	Bajranglal Surajmal Taparia (82)
6	Suven Life Sciences Ltd	499	7	71.29	Maripuri Rangaswamy Naidu (84)
7	Birla Corporation Ltd	640	9	71.11	Dhruba Narayan Ghosh (89)
8	Sundram Fasteners Ltd	781	11	71.00	Suresh Krishna (80)
9	Gati Ltd	568	8	71.00	Srinivasan Natesan (86)
10	Deepak Fertilisers & Petrochemicals Corp Ltd.	847	12	70.58	Rajendra Ambalal Shah (86)

All the companies are from Indian Corporates category. Boards of these 10 companies are member of super 70's club, as average age of all the board members is 70+, with highest being 74 years in case of HDFC Ltd.

Table 34: Top 10 Youngest Board					
S. No.	Name of the Company	Aggregate Age	No. of Director	Average age	Youngest Directors (Age as on 31 st March, 2017)
1	Hathway Cable & Datacom Ltd	410	9	45.56	Viren Rajan Raheja (33)
2	Sadbhav Engineering Ltd	456	10	45.60	Purvi Sushil Parikh (35)
3	Bajaj Corp Ltd	293	6	48.83	Kushagra Shishirkumar Bajaj (40)
4	WABCO India Ltd	391	8	48.88	Lakshmi Venu (34)
5	8K Miles Software Services Ltd	392	8	49.00	Babita Singaram (34)
6	Avenue Supermarts Limited	295	6	49.17	Manjri Aditya Chandak (32)
7	The Phoenix Mills Ltd	399	8	49.88	Shweta Pradeep Vyas (36)
8	D B Realty Ltd	499	10	49.90	Jayvardhan Vinod Goenka (27)
9	Amara Raja Batteries Ltd	401	8	50.13	Bhairavi Tushar Jani (38)
10	Rattanindia Power Ltd	503	10	50.30	Anjali Nashier (39)

Once again credit for youngest board goes to Indian Corporates, as all the 10

companies belong to this category. The data once gain indicates that age has no meaning as in the oldest club, one can see HDFC and in youngest club one can see Avenue Supermarkets, both have performed exceedingly well. Although HDFC has almost 5 decades of history of super performance, Avenue Supermarket is a new kid on the block. Yet it does indicate that age does not matter.

Time Commitment of Directors

Time Commitment of directors on the Board of the Company is a very important parameter in analysing the Board’s performance. A director who has excessive time commitment may not be able to devote sufficient time towards the affairs of the Company.

In total there are 3,597 unique individuals occupying 4,508 directors position in our Sample companies. From this, a straight answer comes that average directorship is 1.25 directorship/ individual director. However, this is not a correct statement as many of these individuals are directors in companies which are not part of Sample. Table 35 analyses distribution of directorships in Sample companies.

Table 35			
Number of Directorships	Total Positions	Individuals	Percentage
1	2426	2380	66.17%
2	846	636	17.68%
3	419	254	7.06%
4	326	156	4.34%
5	231	88	2.45%
6	169	57	1.58%
7	64	21	0.58%
8	12	3	0.08%
9	5	1	0.03%
10	10	1	0.03%
Total	4508	3597	100.00%

It can be seen that only a handful number have directorships in 5 or more companies. Only 171 (4.75%) of individuals have 5 or more listed company directorships. A major chunk i.e. 3,016 (85%) have 2 or less number of directorships. Further, these 171 persons are having 491 directorships position in the sample. Of these 371 directorships position are occupied by individuals who are 60+ years of age, of these 488 directorships position, 381 are IDs and 80 are promoters. It can easily be said that most of the persons occupying 5 or more listed directorships are IDs and are above 60 years of age.

List of directorships of all directors of NIFTY 500 Companies for FY 2016-17 has been collated from MCA database. The Directorships has been gathered post the date of Notice of the respective AGM. Although, the date of directorships of all the directors may vary, one may however understand the approx. time commitment of directors during FY 2016-17. Table 36 and 37 list out individuals with maximum listed and total directorships

While one cannot comment on contribution of these directors on their respective board for want of details, however one can only question as to why younger people are not accepting more number of directorships or they are not offered directorships? Or is it a case that directorships are offered based on social standing or influential status or it is just because of sheer experience?

Table 36: Top 10 Directors with maximum directorship in Listed Companies		
S. No.	Director Name	Listed Directorship
1	Rajendra Ambalal Shah	10
2	Pradip Kumar Khaitan	9
3	Naresh Chandra (since deceased)	8
4	Nasser Mukhtar Munjee	8
5	Bansidhar Sunderlal Mehta	8
6	Omkar Goswami	7
7	Dinesh Kumar Mittal	7
8	Murugappan M. Muthiah	7
9	Sanjay Khatau Asher	7
10	Balaji Rao Jagannathrao Doveton	7

Table 37: Top 10 Directors with maximum directorships in all Companies		
S. No.	Director Name	Total Directorship
1	Akshay Rajan Raheja	20
2	Ashok Motilal Katariya	20
3	Girish Agarwal	20
4	Kuldip Singh Dhingra	20
5	Malav Ajitbhai Mehta	20
6	Mukesh Agarwal	20
7	Nitasha Nanda	20
8	Poosapadi Ramasamy Raja Ramasubrahmaneya Rajha	20
9	Rajiv Singh	20
10	Ramesh Agarwal	20

The Table 38 gives information as to what is the number of directorship that each board member of the company has. All the 10 companies are Indian Corporates.

Table 38: Top 10 Companies whose Directors have maximum Directorships				
S. No.	Company Name	Total Number of Directorships	Total Number of Directors	Average Directorships
1	The Ramco Cements Ltd	75	6	12.50
2	Apollo Hospitals Enterprise Ltd	159	13	12.23
3	Jubilant Life Sciences Ltd	59	5	11.80
4	Hathway Cable & Datacom Ltd	103	9	11.44
5	Magma Fincorp Ltd	80	7	11.43
6	Allcargo Logistics Ltd	91	8	11.38
7	Delta Corp Ltd	88	8	11.00
8	Jubilant Foodworks Ltd	66	6	11.00
9	Dewan Housing Finance Corporation Ltd	73	7	10.43
10	Minda Industries Ltd	52	5	10.40

The Ramco Cements Ltd is leader in the pack with average 12.50 directorships by each director, followed by Apollo Hospitals Ltd.

Table 39 gives details of maximum listed company directorship in 10 companies from top.

Table 39: Top 10 Companies whose Directors have maximum Listed Directorships				
S. No.	Company Name	Total Number of Listed Directorships	Total Number of Directors	Average Listed Directorships
1	Bajaj Finserv Ltd	43	8	5.38
2	Bajaj Holdings & Investment Ltd	52	10	5.20
3	Eveready Industries India Ltd	36	8	4.50
4	JK Lakshmi Cement Ltd	44	10	4.40
5	Bombay Dyeing & Manufacturing Company Ltd	48	11	4.36
6	Bajaj Auto Ltd	65	15	4.33
7	The Ramco Cements Ltd	26	6	4.33
8	Bombay Burmah Trading Corporation Ltd	34	8	4.25
9	Bajaj Finance Ltd	55	13	4.23
10	Indian Hotels Co Ltd	42	10	4.20

All the 10 companies are Indian Corporates. In the list there are 4 Bajaj Group companies. On an average each director in this sample of 10 companies have 4+ directorships.

Table 40 and 41 details Companies with minimum total / listed directorship, respectively for entire board.

Table 40: Top 10 Companies whose Directors have minimum Directorships				
S. No	Company Name	Total Number of Directorships	Total Number of Directors	Average Total Directorships
1	Hindustan Copper Ltd	14	11	1.27
2	Caplin Point Laboratories Ltd	13	10	1.30
3	Kwality Ltd	8	6	1.33
4	Karur Vysya Bank Ltd	15	11	1.36
5	Lakshmi Vilas Bank Ltd	21	13	1.62
6	Marksans Pharma Ltd	10	6	1.67
7	Indian Oil Corporation Ltd.	17	10	1.70
8	Indraprastha Gas Ltd	17	10	1.70
9	Blue Dart Express Ltd	12	7	1.71
10	Steel Authority of India Ltd	26	15	1.73

Of the 10, 4 are PSUs, 2 are Banks where RBI has control over appointments, rest 4 can be said to have chosen board keeping in mind time commitments. On an average, time commitment of this group appears to be 1/8th of what is observed in case of maximum directorship Table 38.

Table 41: Top 10 Companies whose Directors have minimum Listed Directorships				
S. No	Company Name	Total Number of Listed Directorships	Total Number of Directors	Average Listed Directorships
1	Kwality Ltd	6	6	1.00
2	Karur Vysya Bank Ltd	11	11	1.00
3	Lakshmi Vilas Bank Ltd	13	13	1.00
4	Marksans Pharma Ltd	6	6	1.00
5	Bharat Electronics Ltd	11	11	1.00
6	ITI Ltd	6	6	1.00
7	Astral Poly Technik Ltd	7	7	1.00
8	VRL Logistics Ltd	12	12	1.00
9	BEML Ltd	9	9	1.00
10	Oracle Financial Services Software Ltd	8	8	1.00

Of the 10, 3 are PSUs, 2 are Banks where RBI has control over appointments, rest 5 can be said to have chosen board keeping in mind time commitments. On an average, time commitment of this group appears to be 1/4th of what is observed in case of maximum listed directorship Table 39.

In case of above companies, the individuals on the board are directors on the Board of the respective Company only.

ANNEXURE I

List of 20 PSBs that form part of the NIFTY 500 as on 31st March, 2017 which have been excluded from Sample.

S. No	Company Name	Entity Status
1	Allahabad Bank	Bank
2	Andhra Bank	Bank
3	Bank of Baroda	Bank
4	Bank of India	Bank
5	Canara Bank	Bank
6	Central Bank of India	Bank
7	Corporation Bank	Bank
8	Dena Bank	Bank
9	IDBI Bank Ltd	Company
10	Indian Bank	Bank
11	Indian Overseas Bank	Bank
12	Jammu & Kashmir Bank Ltd	Company
13	Oriental Bank of Commerce	Bank
14	Punjab National Bank	Bank
15	State Bank of India	Bank
16	Syndicate Bank	Bank
17	UCO Bank	Bank
18	Union Bank of India	Bank
19	United Bank of India	Bank
20	Vijaya Bank	Bank

PART B: REMUNERATION OF **DIRECTORS**

EXECUTIVE SUMMARY OF THE STUDY

The Report on remuneration to Directors analyses remuneration pattern and trends in NIFTY 500 Companies as on 31st March, 2017 (referred to as ‘Sample’) for a period of 3 years. Public Sector Banks (‘PSBs’) & Public-Sector Undertakings (‘PSUs’) have been excluded as the remuneration in these sector is regulated.

The Sample size is as under:

Category	2016-17	Percentage	2015-16	Percentage	2014-15	Percentage
MNC	43	9.79%	43	10.05%	43	10.59%
Indian Promoter	396	90.21%	385	89.95%	363	89.41%
Total	439	100%	428	100%	406	100%

Key findings of the Report on remuneration of directors are as under:

Overall Board Remuneration growth vis-à-vis Net Profits:

- The Board remuneration of the Sample Companies comprised grew from 1.70% of the Standalone Net Profits in FY 2014-15 to 1.96% in 2016-17.
- In absolute terms, Reliance Industries Ltd (‘RIL’) was the highest Board Remunerating Company during FY 2016-17 with remuneration at ₹ 247.49 crores.
- RIL, topped the list of highest remuneration payment to the Promoter Directors at ₹ 177.91 crores only during FY 2016-17 comprising of 0.57% of its Net Profits, mainly due to ESOPs. RIL was followed by Sun TV Networks paying Promoter a remuneration of ₹ 155.86 crores forming 15.91% of its Net Profits during the same period. Sun TV figured in the list for all three years.
- BF Utilities & Rajesh Exports paid the least remuneration to its Board at ₹ 90,000 and ₹ 2.40 lacs, respectively.
- BF Utilities paid least remuneration to its Promoter Directors, followed by Delta Corp Ltd at ₹ 35,000 and ₹ 40,000 each during FY 2016-17.

Remuneration practice in Sample Company under different categories

- The Board remuneration comprise of 1.98% of the Net Profits in Indian Corporates, the same stands at 1.22% for MNCs during the same period.

Overall Board Remuneration growth vis-à-vis Operating Revenue:

- Sun TV Networks emerges as Top Promoter Remunerating Company during

FY 2016-17 with remuneration of almost ₹ 156 crores, forming just above 6% of the entire operating revenue of the Company. Second in the list is Rain industries which paid ₹ 1.73 crores forming less than 4% of its Operating Revenue.

Remuneration based on Nature of Directorship

- The proportion of remuneration paid to Executive Directors has declined YoY from almost 89% in FY 2014-15 to 86.66% in FY 2016-17. On the other hand, the remuneration percentage share of Independent Directors increased marginally by 18 basis points during the 3 years span, while that NED NIDs, has increased steadily by 200 basis points during the same 3 years.
- Average remuneration paid to ED has increased steadily from ₹ 3.91 crores in FY 2014-15, to ₹ 4.25 crores in FY 2015-16 and subsequently to ₹ 4.77 crores in FY 2016-17. Similar incremental trends were observed in the remuneration of Independent Directors and NED NIDs also during the past 3 years.

Total Board remuneration in loss making Companies

- Total 38 Companies incurred losses during FY 2014-15 and 41 Companies incurred loss during FY 2015-16 & 2016-17 each. The average Board remuneration in these loss-making Companies was in the range of approx. ₹ 4.94 to ₹ 5.92 crores during the study period.
- On the other hand, the average Board remuneration of the profit earning Companies was above ₹ 10 crores during three year period under review.

Remuneration Pattern as per number of Directors:

- Top 50 directors are drawing almost 50% of the total ED remuneration. Top remunerated EDs are not limited to Promoters alone.
- Top 6% of promoter EDs share 36% of total ED-P remuneration, as against this top 3% in Non-Promoter category share 19% of remuneration.
- Top 50 Non-Promoter NED are getting almost 75%+ total remuneration, while Promoter NED, top 50 are getting about 90% of total remuneration indicating that hardly any remuneration is paid to other NEDs.
- In Independent director category, skewedness is not observed as much as it is observed in NED-NID and ED categories.

Remuneration on the basis of Gender

- Gender bias was noticed against women directors compared to men both in promoter & non-promoter category and in ED, NED & ID category as well, although the bias is getting reduced.

Promoter Remuneration distribution vis-à-vis Promoter Shareholding:

- Maximum increase in average Promoter remuneration is seen in Companies having Promoter shareholding between 25-50%, followed by the Company having Promoter shareholding of 50-75%. Average Promoter remuneration per Company during FY 2016-17 stood at ₹ 9.47 crores for Companies having Promoter shareholding between 25-50%, while the same stands at ₹6.93 crores in the 50-75% category.
- Promoter remuneration showed increasing trend in the companies having higher institutional ownership, except in companies having 50% or more institutional holding.

Remuneration Distribution based on % of Boards remuneration paid:

- Bias was seen in sharing of board remuneration, 99 companies paid 90-100% of board remuneration to promoters, whereas only 45 companies paid 90% + Board remuneration to Non-Promoters.
- Adani Power Ltd at 6.40 lacs and Coffee Day Enterprise with 23 lacs were Companies with maximum percentage of Board remuneration dedicated to IDs at 100%. On the other hand, Marksans Pharma and Sun TV Networks top the list of Companies with minimum percentage of Board remuneration paid to IDs. Marksans Pharma paid ₹ 25,000, while Sun TV Networks paid ₹ 14.40 lacs to IDs during FY 2016-17, at 0.06% and 0.09% respectively.
- Similarly, in the Non-Executive Non-Promoter Director space, Karnataka Bank lead the Table with 79 lacs paid to NED at 45.14% of the Total Board remuneration. On the other hand, Sun TV Networks and Vardhman Textiles paid 1.40 lacs and 35,000 to their Non-Promoter NED comprising 0.01% of their total Board remuneration during FY 2016-17.
- In the Non-Promoter ED department, Indiabulls Ventures Ltd & Rattanindia Power Ltd paid entire Board remuneration to its Non-Promoter EDs comprising of 32.26 lacs and 3.36 crores, respectively during FY 2016-17. On the other hand, Dhanuka Agritech was the Company with least remuneration paid to Non-Promoter ED at 26,000 comprising 0.01% of its total Board remuneration during FY 2016-17.

Variable Pay Analysis:

- Promoters took a lions share of total variable pay in the sample at 64% of total variable pay in 2016-17, although the share declined from 69% in 2014-15

Total board Remuneration vis-à-vis Employee Benefits Expense

- Few companies have paid remuneration to Board which is more than total employee cost of all employees put together, topping the list is Sun TV Network Ltd, where Board was paid 1.59 times total employee cost.
- Sun TV has maximum skewedness on almost all factors, its Board takes almost 1.6 times the entire wage bill of the 2,000 employees

ANALYSIS ON EXECUTIVE REMUNERATION

Total Executive Remuneration with Net Profits

- Executive remuneration of directors of Sample Company has increased over the three-year period and increased from 1.47% of net profit to 1.64% of Standalone Net Profits from 2014-15 to 2016-17.

Top 10 highly paid EDs (Non-Promoter & Promoter) in MNC:

- Among the professional EDs in MNCs, highest paid ED (including ESOPs) is Mr. Arvind Uppal of Whirlpool of India Ltd, who was paid about Rs 15 Crore as remuneration, which is about 60% of total board remuneration.
- In this category, promoter EDs' list the top position is occupied by Mr. Naveen Agarwal of Vedanta. His remuneration is Rs. 14.54 crore or 33.85% of Board remuneration, similarly the next in the list is another promoter Mr. K K Modi of Godfrey Phillips India Ltd. These companies although family owned are technically MNC

Top 10 highly paid EDs (Non-Promoter & Promoter) in Indian Corporates category:

- Among the Indian EDs Non-Promoter category, the top position is held by Mr. Gurnani of Tech Mahindra, who received Rs 148 Cr as remuneration, amounting to 94.02% of Board remuneration, highest proportion amongst all EDs. A large chunk was on account of ESOPs.
- Among the Indian Promoter EDs, top two positions are occupied by Nikhil and Hital Meswani, of Reliance Industries Ltd., mainly on account of ESOPs. All other EDs in the list have been receiving high remuneration on regular basis.

In Sun TV, husband wife duo tops the list (Excluding ESOPS) consistently for last three years. In % terms Mr. R Raja of Ramco with 99.55% remuneration of board tops the list.

Top 10 Highly Paid EDs (Non-Promoter & Promoter respect to percentage of total board remuneration:

- In the 10 companies in terms of proportion of (Promoter & Non-Promoter) ED remuneration to Board remuneration, EDs are getting more than 90% of total board remuneration, indicating that the Board and Remuneration Committee has evaluated the contribution of entire board only worthy of remuneration which is less than 10% of the Board.

Skewed Remuneration:

- EDP remuneration to Non-Promoter ED remuneration within the same board indicates skewedness of remuneration practice against non-promoter EDs. The most skewed remuneration practice is observed in Dhanuka Agritech where remuneration of Promoter ED is 1,361 times of Non-Promoter EDs; in Sun TV Networks it is almost 67 times.
- There are 69 companies where remuneration of Promoter ED is 3 times or more of Non-Promoter ED. Surprisingly, there are 18 companies which do not pay any remuneration to their EDs.
- On the other end of spectrum, there are the 32 companies which have paid more remuneration to Non-Promoter EDs compared to Promoter EDs.
- The 10 companies having highest ratio in favour of Non-Promoter EDs to Promoter ED remuneration is Varun Beverages at 17.61 times, indicating non-promoter ED got 17+ times more than promoter ED. On the other hand, highest difference between Promoter ED and Non-Promoter ED is ₹ 76.76 Crore in case of Sun TV Networks, followed by Hero MotoCorp at ₹ 57.44 Crore.
- 5 out of the top 10 highly remunerated Directors feature in the Top 10 List during the all the 3 years. The list includes 4 Promoter Directors and 1 Non-Promoter Director (Mr. Chander P. Gurnani). Also, Mr. A M Naik of Larsen & Toubro and Mr.D B Gupta of Lupin feature in the list for 2 out of the 3 years. Further, 7 out of the top 10 are Promoter EDs.

Variable and Fixed Executive Remuneration

- On average ED's remuneration in 2014-15 consisted of 63% of fixed pay during FY 2014-15, which has come down to 57% in FY 2015-16 and subsequently to 53% fixed in 2016-17.

Gender Bias

- The gender bias for equal remuneration is coming down, while in 2014-15 ratio of male and female ED remuneration was 1.48 (male getting on an average 48% more remuneration) this ratio reduced to 1.09, indicating a marked progress in removing gender bias.
- The ratio of remuneration between Promoter and Non-Promoter ED stood at 1.91 in favour of promoter women. This ratio has come down to 1.38 in 2016-17, reflecting a marked improvement.
- There are only 5 women Non- Promoter EDs , all are employed in financial sector, who receive remuneration in excess of Rs 5 Crore, against 13 in promoter category. Overall 270 EDs receive more than Rs 5 Crore remuneration and only 18 women are there in this elite club.

EDP Remuneration & Kotak Committee Recommendation:

- 97 out of 161 EDP (receiving remuneration above ₹ 5 crores), are paid remuneration more than 2.5% of profits. Further, out of these 97, 5 belong to loss making Companies and rest 92 are profit-making companies who are breaching the threshold for obtaining approval through special resolution as per Kotak Committee recommendations.

NON-EXECUTIVE DIRECTOR ANALYSIS

- The Non-Executive Directors remuneration has grown from 0.08% of the total Standalone Net Profits during FY 2014-15 to 0.11% of the same, in FY 2016-17.

Top 10 highly paid NEDs (Non-Promoter & Promoter) during past 3 years:

- 3 out of the top 10 highly remunerated Non-Executive Directors feature in the Top 10 List during the all the 3 years. All these 3 are Promoter Directors viz., Mr. Galla Ramachandra Naidu of Amara Raja Batteries, Kumar Mangalam Birla of Ultratech and Mr. Sudhir Mehta of Torrent Pharmaceuticals.
- 4 NEDs in this list feature twice. These all are promoter directors, viz. Mr. Sanjiv Goenka of CESC Ltd, Mrs. Samprada Singh of Alkem Laboratories, Mr. Rajinder Gupta of Trident and Mr. Anil Ambani of Reliance infrastructure.

Ownership basis:

- Indian Corporates have been paying highest remuneration to the Promoter NEDs during the past 3 years as compared to the remuneration paid to NEDs of MNCs.
- In absolute terms, the average NED remuneration in MNC during FY 2016-17 stood almost 1/7th at ₹ 6.98 lakhs compared to the approx. ₹ 48.50 lakhs for the Indian Corporate NEDs.

Promoter versus Non-Promoter

- While the NED-NP remuneration during FY 2014-15 was almost at 37% of the NEDP remuneration, it has reduced to 29.25% during FY 2016-17.

Gender Bias:

- Average Remuneration to male NED has remained more than that of the female directors without any exception during the past 3 years.
- During FY 2016-17, Non-Promoter NED woman remuneration was ₹ 5.18 lakhs compared to ₹ 10.70 lakhs in the Promoter woman category.

Non-Executive Chairpersons' remuneration growth:

- Average remuneration of the Non-Promoter NED Chairman was in the ₹ 15-16 lakhs range during FY 2014-15 & FY 2015-16. However, during FY 2016-17, the same has almost doubled to ₹ 29.04 lakhs.
- Similarly, while, the remuneration of Promoter NED Chairman was 99.29 lakhs during FY 2014-15, the same stands at just above ₹1.45 crores in FY 2016-17.

NED Remuneration & Kotak Committee Recommendation:

- 52 directors would be affected if the recommendations of Kotak Committee were in force as they have been paid more than 50% of the total NED remuneration in the Board. Of these 52 directors 30 were promoter NEDs.
- In % terms about 5% of NED-P would be affected, against this only less than 1% of non-promoter NEDs would get impacted.

INDEPENDENT DIRECTORS REMUNERATION ANALYSIS

- While, the average ID remuneration during FY 2014-15 was ₹ 12.62 lakhs, the same, stands at ₹ 16.34 lakhs during FY 2016-17. Therefore, at least on average basis India Inc has passed the test as average remuneration is well above minimum remuneration recommended by Kotak Committee.

- In 2016-17, number of IDs receiving remuneration below Rs.5 lakhs were 743 or about 34% of total IDs. This would mean that once Kotak Committee recommendations are accepted these directors would be paid more or the other way around such companies would have a higher outgo impact.

Top 10 highly paid NEDs (Non-Promoter & Promoter) during past 3 years:

- 5 out of the top 10 remunerated Independent Directors feature in the top 10 ID list of Sample Companies for all 3 years. Mr. Vijay Kelkar was in the list of top 10 highly paid IDs, for two years.

ID remuneration vis-à-vis Market Capitalisation

- ID remuneration has increased steadily based on increase in market cap of the Companies during the past 3 years without any exception.
- Even, at the bottom end of market cap distribution, average remuneration is above ₹ 5.00 Lac.

Ownership based comparison.

- MNCs are the Companies which on average have paid highest remuneration to IDs during FY 2015-16 & FY 2016-17. However, during FY 2014-15, it was the Indian Corporates which were the highest paying Companies to their Independent Directors.

Remuneration of Independent Director versus Non-Independent Non-Executive Director

- The average ID remuneration paid during FY 2014-15 was ₹ 12.62 lacs, which increased to ₹ 14.95 lacs during FY 2015-16 & subsequently to ₹ 16.34 lacs in FY 2016-17.

Sitting fees paid to IDs:

- There were 88 Independent Directors who did not receive sitting fees for the FY 2016-17 (excluding 18 IDs who were appointed during the financial year). These include Companies such as Infosys, Tech Mahindra.

Gender Bias:

- The gap between the remuneration paid to Male ID and female ID is decreasing YoY. While the remuneration paid to female ID during FY 2014-15 was almost 70% of the male ID remuneration, the same has risen to just above 90% in FY 2016-17.

INTRODUCTION

Oxford dictionary defines remuneration as Money paid for work or a service, Cambridge Dictionary defines Remuneration as payment for work or services, Collins defines Someone's remuneration is the amount of money that they are paid for the work that they do. And vocabulary.com defines Remuneration refers to payment for a service.

In nutshell, the word Remuneration means or implies money exchanged for work/ service received.

Obviously, when one uses the word exchange, it implies that exchange must be on fair terms, without undue benefit and harm to the other side. In the same way, it implies that neither side must take advantage of its position. To protect employees from exploitation trade unions came up, in the same manner to protect shareholders interest and to ensure that those in charge of affairs of the company do not misuse the position, shareholders have the right to vote on remuneration of those who are in charge of the affairs of the Company, mainly the Board and Management. Unlike management and employees, the 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. Therefore, law has mandated the job to Remuneration Committee of the Board.

Law, Regulations, systems and procedures are designed to achieve desired results; however, desired results depend on competence and professionalism of the people who are entrusted with the job. This Report analyses remuneration of directors of NSE 500 companies based on the market cap as on 31st March 2017. Data analysis reveals high level of divergence. What is the reason for this? Whether system has failed? Why it has failed? These are some questions which will come to the mind of reader of this Report. Since a straight answer to these questions could be subjective, hence the same are not answered in definitive term in this Report but left to the reader of the Report to draw his/her own conclusion.

SCOPE OF THE REPORT AND THE SAMPLE

This Report inter-alia, compiled remuneration data of NIFTY 500 Companies as on 31st March, 2017. The data for 3 years i.e., FY 2016-17, FY 2015-16 & FY 2014-15 has been analysed. For inclusion in sample, 31st March of the respective year has been taken as the cut-off date. The Companies have been segregated into

3 baskets on year end basis. Companies having fiscal year other than April-March have also been included in the basket of companies having next cut-off date. For Instance, Company having fiscal year end of June, 2016 has been included in the FY 2016-17 basket.

Among the NIFTY 500 companies as on 31e March 2017, 20 Public Sector Banks (‘PSBs’) and 41 PSUs are included, which for the purpose of this Report have been excluded (List at annexure I). As PSBs & PSUs remuneration is regulated and inclusion of these companies would distort the data and make analysis meaning less.

Further, the sample of NIFTY 500 companies as on 31st March 2017 includes many companies which were not listed for trading on Stock Exchanges in earlier years, therefore sample size is not constant. However, all the companies which are part of sample in 2014-15, are part of sample across three years. therefore, the scope of the report is limited to 439 Companies, 428 Companies, 406 Companies for FY 2016-17, FY 2015-16 and FY 2014-15, respectively, as total 33 new companies in period from 2014-15 to 2016-17 made to NIFTY 500. These 439, 428 & 406 companies have been referred to as ‘Sample’ throughout this Report.

The broad distribution of sample based on ownership is as given in Table 1

Table 1						
Category	2016-17	Percentage	2015-16	Percentage	2014-15	Percentage
MNC	43	9.79%	43	10.05%	43	10.59%
Indian Promoter	396	90.21%	385	89.95%	363	89.41%
Total	439	100%	428	100%	406	100%

Number of directors covered in this study and their distribution into three broad categories is given in the Table 2. The data includes fresh appointments and resignations also.

Table 2												
Categories	FY 2014-15				FY 2015-16				FY 2016-17			
	O	R	A	C	O	R	A	C	O	R	A	C
Companies	406				428				439			
IDs	2,087	198	227	2,058	2,140	137	136	2,141	2,215	135	176	2,174
NEDs	833	124	84	873	874	129	87	916	867	153	111	909
EDs	947	64	47	964	981	68	63	986	1,045	57	79	1,023
Total	3,867	386	358	3,895	3,995	334	286	4,043	4,127	345	366	4,106

O-Beginning of Year, R-Resignation during the Year, A-Fresh Appointments during the Year, C-Year End position.

Taking 2016-17 as the benchmark, the Report covers remuneration details of total

4,106 directors, of which 2,174 are Independent Directors (hereinafter referred to as 'IDs'), 1,023 are Executive Directors (hereinafter referred to as 'ED') and rest 909 are Non-Executive Non-Independent Director (hereinafter referred to as 'NED').

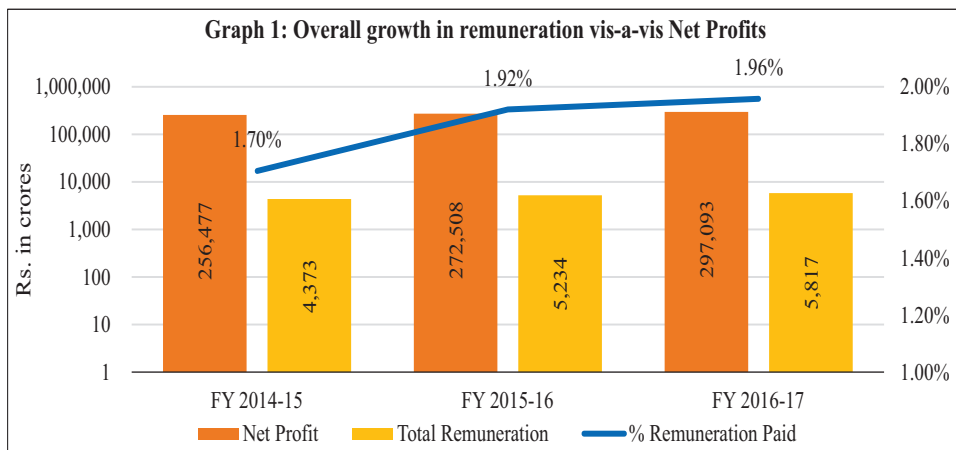
This Report analyses remuneration paid to directors of the Sample Companies during the respective FYs, with the exception that total board remuneration analysis takes into account the remuneration paid to those directors also, who ceased to be a director as on the close of the respective FY:

- Overall Remuneration vis-à-vis performance of the Companies.
- Promoter vs Non-Promoter,
- Executive Remuneration,
- Non-Executive Non-Independent Directors (NED),
- Independent Directors.

Overall Board Remuneration

At least in theory remuneration depends on various factors depending upon the time dedicated to the work, kind of work, nature of industry, seniority level, etc. It also depends upon the performance of the Company. If the Company is not performing well, then, the growth in remuneration of the employees or the Directors will not be sustained in the long run. Therefore, while remuneration is an important tool to incentivise and motivate an individual, at the same time, it is also important that the performance of the individual is linked with the performance of the Company. In light of the above, this Report has analysed remuneration pattern during 3 FYs.

Graph 1 depicts Total Board remuneration, Standalone Net Profits along with data on remuneration as % of net profit (including remuneration of Directors who resigned during the respective years) of the Sample Companies for 3 years. Only standalone profits are taken into account.



Graph 1, indicates that Board remuneration as % of total profits rose from 1.70% to 1.92% between 2014-15 & 2015-16, indicating about 13% annualised growth relative to profits, indicating the growth was over and above profit growth. Compared to this, remuneration grew marginally between 2015-16 & 2016-17 relative to profit by about 1%. In aggregate terms the total amount of remuneration also grew. In 2014-15, an amount of ₹4,373 crores was paid as remuneration to the directors of 406 Listed Companies, Rs 5,234 Crores to directors of 428 companies in 2015-16 and finally to Rs 5,817 Crore in 2016-17 to directors of 439 companies. In nut shell, the remuneration grew faster than the profits, indicating directors took care of their interest. Whether the interest of all directors was taken care or not is to be seen from further analysis.

Since, the number of Companies in the sample are different for three-year period, therefore, average Net Profits and Board Remuneration computation would portray a little better picture of the performance of Remuneration committee in discharging their role Table 3

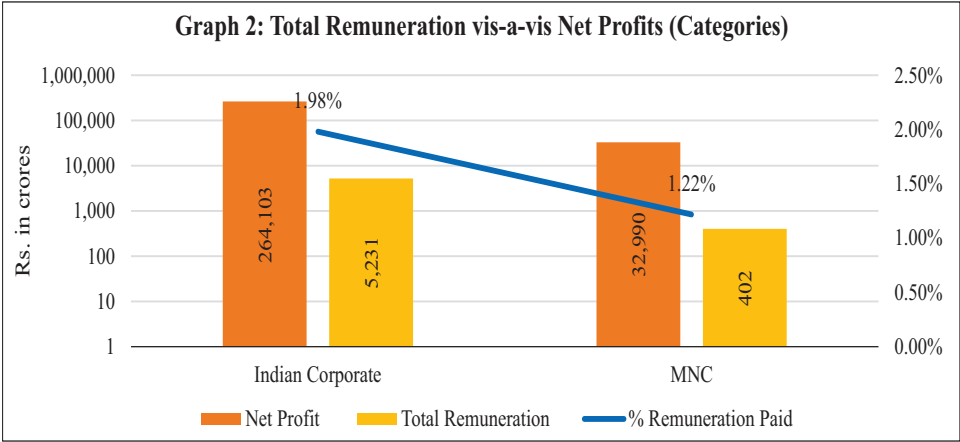
Table 3			
(in ₹ Crores)	FY 2014-15	FY 2015-16	FY 2016-17
Number of Companies	406	428	439
Net Profits	2,56,477	2,72,508	2,97,093
Overall Board Remuneration	4,373	5,234	5,817
Average Net Profits	631.72	636.70	676.75
Average Board Remuneration	10.77	12.23	13.25
Board Remuneration %	1.70%	1.92%	1.96%

Table 3 reveals that with almost stagnant average profit between 2014-15 & 2015-16, average board remuneration increased from Rs 10.77 Crore to Rs.12.23 Crore. Whereas profits grew by a paltry 0.21 % remuneration grew by 11.34%. During next

year 2016-17, the profit growth and remuneration growth were almost matched, with profit growing by 7.96% and remuneration growing by 8.55%. This reveals that Remuneration is not necessarily in direct proportion to profits (performance) of the company. Board seems to protect their interest regardless of performance of the company. It must be noted that this is anlysis of average remuneration and may not give any definitive answer as any board of the company will not decide remuneration based on average profir of industry, but on its own performance and general economic conditions and factors.

Remuneration practice in sample companies under different categories

Graph 2, depicts the average Board remuneration outlay per Company categorised under, Indian Corporates and MNCs with respect to the Net Profits earned during FY 2016-17.



It can be observed that Board remuneration comprise of 1.98% of the Net Profits in Indian Corporates, the same stands at 1.22% for MNCs during the same period. What is the reason for such wide difference between two types of private sector companies? Is it because of promoter orientation of Indian corporates compared to MNCs?

Relative Comparison of Directors Remuneration based on Net Profits & Operating revenue

Data has been further analysed, five highest and lowest paying boards, both in absolute terms and relative terms are as given in Table 4,5,6 & 7.

Table 4: Top 5 remunerating Board (absolute amount) during FY 2016-17			
Company Name	Net Profit (in ₹ Lakhs)	Total Board remuneration (in ₹ Lakhs)	% of remuneration to Net Profits
Reliance Industries Ltd	31,42,500	24,749	0.79%
Tech Mahindra Ltd	3,04,730	16,029	5.26%
Sun TV Network Ltd	97,941	15,719	16.05%
Larsen & Toubro Ltd	5,45,374	14,855	2.72%
Lupin Ltd	3,14,133	10,080	3.21%

Reliance Industries Ltd tops the charts of the highest remunerating Company at the Board level, followed by Tech Mahindra Ltd during FY 2016-17. The Net Profits of Reliance Industries is about 10 times that of Tech Mahindra Ltd. Interestingly, SUN TV Networks which occupies third place in the list, is at the top in terms of remuneration as % to net profit. In Sun TV, Board remuneration stands at 16.05% of Net Profits, being the highest among the top 5 companies.

Table 5: Top 5 Companies based on Promoter remuneration during FY 2016-17.			
Company Name	Net Profits (in ₹ Lakhs)	Total Promoter remuneration (in ₹ Lakhs)	% of remuneration to Net Profits
Reliance Industries Ltd	31,42,500	17,791.00	0.57%
Sun TV Network Ltd	97,941	15,586.00	15.91%
Apollo Tyres Ltd	80,276	7,662.80	9.55%
Lupin Ltd	3,14,133	7,372.20	2.35%
Balkrishna Industries Ltd	71,514	6,532.37	9.13%

Reliance Industries Ltd is leading the list with Promoter remuneration standing at almost ₹ 178 crores. This is mainly on account of remuneration amounting to ₹160 crores paid to Mr. Nikhil Meswani and Mr. Hital Meswani on exercise of Stock Options. Although Reliance has the highest promoter remuneration, its remuneration as percentage of profits is very low. Compared to Reliance, Sun TV which was also in the Table containing top 5 overall Board remuneration Companies, and second in terms of total promoter remuneration has the highest promoter remuneration as % of PAT . Apollo Tyres Ltd and Lupin Ltd pay around ₹74-77 crores to their Promoter Directors, on relative terms the remuneration works out to be 2.35% for Lupin, whereas it stands at 9.55% for Apollo tyres. Balkrishna Industries paid ₹65.32 crores to their Promoter Directors during FY 2016-17.

Table 6: Bottom 5 remunerating Board during FY 2016-17

Company Name	Net Profits (in ₹ Lakhs)	Total Board remuneration (in ₹ Lakhs)	% of remuneration to Net Profits
BF Utilities Ltd	735	0.90	0.12%
Rajesh Exports Ltd	46,134	2.40	0.01%
Gujarat Narmada Valley Fertilizers & Chemicals Ltd	52,130	5.50	0.01%
Infibeam Incorporation Ltd	18	9.70	53.89%
D B Realty Ltd	143	10.20	7.13%

Of the 5 Companies in Table 6, the Company which stands out is Rajesh Exports, the reason for very low board remuneration is inexplicable. In the company, IDs have not been paid even sitting fee for last 3 years+. Directors spending their quality time in a commercial company for free, sounds like philanthropy, why they are doing philanthropy is certainly not known and can have as many guesses as possible. Infibeam is a new listing, DB Realty has been going through a tough time. GNFC is a State PSU and should have been ideally excluded from the sample.

Similarly, a list of 5 Companies paying minimum remuneration to Promoters is provided in Table 7.

Table 7: 5 companies with minimum Promoter remunerating during FY 2016-17

Company Name	Net Profits (in ₹ Lakhs)	Total Board remuneration (in ₹ Lakhs)	% of remuneration to Net Profits
BF Utilities Ltd	735	0.35	0.05%
Delta Corp Ltd	5,262	0.40	0.01%
Indian Hotels Co Ltd	14,194	0.60	0.00%
D B Realty Ltd	143	1.00	0.70%
Gujarat Narmada Valley Fertilizers & Chemicals Ltd	52,130	1.60	0.00%

Again, BF Utilities is seen paying minimal remuneration to their Promoters and also to their Board as a whole. Other Companies in the list are Delta Corp , Indian Hotels and D B Realty, who paid ₹ 40,000, ₹ 60,000 and ₹ 1 lakhs to their Promoter directors during FY 2016-17. All the Promoters are Non-Executive Directors, except for DB Realty where Executive Directors viz., Mr. Vinod Goenka and Mr. Shahid Balwa are Promoters EDs, however, they did not draw any remuneration from the Company during FY 2016-17.

Table 8, list down 5 Companies that paid maximum amount of remuneration to their Promoters as % of their Net Profits (only those who earned profits) during FY 2016-17.

Table 8				
S. No.	Company Name	Net Profit (in ₹ lakhs)	Promoter Remuneration (in ₹ lakhs)	Remuneration as % of Net Profit
1	Swan Energy Ltd	168	258	153.57%
2	Magma Fincorp Ltd	610	300	49.18%
3	Parag Milk Foods Ltd	1,002	417	41.62%
4	McLeod Russel India Ltd	3,053	797	26.10%
5	Raymond Ltd	3,383	874	25.84%

The remuneration drawn by the Promoter in Swan Energy is more than the Net Profits earned by the Company during FY 2016-17. It appears that most of these companies have paid remuneration in excess of limits of managerial remuneration prescribed by law in terms of profit.

Table 9, list down 5 Companies with minimum amount of Promoter remuneration vis-à-vis their Net Profits during FY 2016-17.

Table 9				
S. No.	Company Name	Net Profit (in ₹ lakhs)	Promoter Remuneration (in ₹ lakhs)	Remuneration as % of Net Profit
1	Bharti Infratel Ltd	2,70,500	7.50	Negligible
2	Gujarat Narmada Valley Fertilizers & Chemicals Ltd	52,130	1.60	
3	Exide Industries Ltd	69,364	2.25	
4	Petronet LNG Ltd	1,70,567	6.00	
5	HDFC Bank Ltd	14,54,964	52.50	

In these 5 companies with minimum percentage remuneration of Net Profits, one is a state PSU (GNFC) and other is a company promoted by PSUs (Petronet). In rest 3 companies, Promoters in Bharti Infratel and Exide industries are Non-Executive Directors, therefore, the Board remuneration paid to the Promoters during FY 2016-17 is negligible when compared with the Net Profits earned during FY 2016-17. HDFC Bank is a professionally managed Bank and does not have any identified individual as promoter.

Table 10, list down 5 Companies with maximum Promoter remuneration vis-à-vis their Operating Revenue during FY 2016-17.

Table 10				
S. No.	Company Name	Operating Revenue (in ₹ lakhs)	Promoter Remuneration (in ₹ lakhs)	Remuneration as % of Operating Revenue
1	Sun TV Network Ltd	2,55,825	15,586	6.09%
2	Rain Industries Ltd	4,485	173	3.87%
3	JM Financial Ltd	4,746	175	3.69%
4	Motilal Oswal Financial Services Ltd	14,146	516	3.65%
5	Bajaj Finserv Ltd	15,390	496	3.23%

Sun TV Networks leads the pack with their Promoter remuneration standing at 6.09% of their entire Operating Revenue during FY 2016-17. The Promoter Directors drew a whopping ₹155.86 crores. The second in the list is Rain Industries where the Promoter Directors are paid ₹1.73 crores which is 3.87% of their operating revenue. All the 5 Companies are Indian Corporates.

Table 11, list down 5 Companies with minimum Promoter remuneration vis-à-vis their Operating Revenue during FY 2016-17.

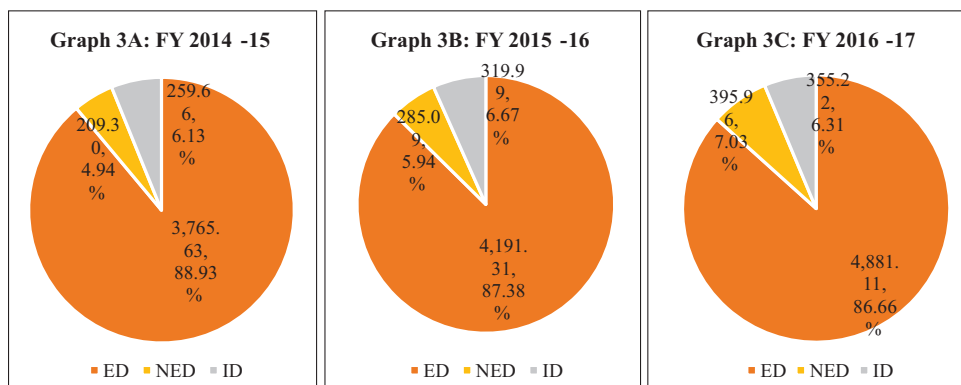
Table 11				
S. No.	Company Name	Operating Revenue (in ₹ lakhs)	Promoter Remuneration (in ₹ lakhs)	Remuneration as % of Operating Revenue
1	Tata Motors Ltd	49,10,041	2.40	Negligible
2	Rajesh Exports Ltd	44,94,773	2.40	
3	Idea Cellular Ltd	35,27,865	6.90	
4	Petronet LNG Ltd	24,61,603	6.00	
5	Indian Hotels Co Ltd	2,39,125	0.60	

The remuneration paid to Promoter Directors in the above Companies is insignificant when compared with their Operating Revenues. All the Promoter Directors in the above list are NEDs, with Board of Idea Cellular paying only ₹6.90 lakhs to their Promoter Directors shared between, viz., Mr. Kumar Mangalam Birla & Mrs. Rajashree Birla during FY 2016-17.

Remuneration based on Nature of Directorship:

Foregoing analysis revealed that the Board remuneration of the Sample Companies has increased, both in absolute and relative terms over the three year period. Further analysis is aimed at studying remuneration pattern within the various class of directors, i.e., Executive (ED), Non-Executive (NED) and Independent Directors (ID).

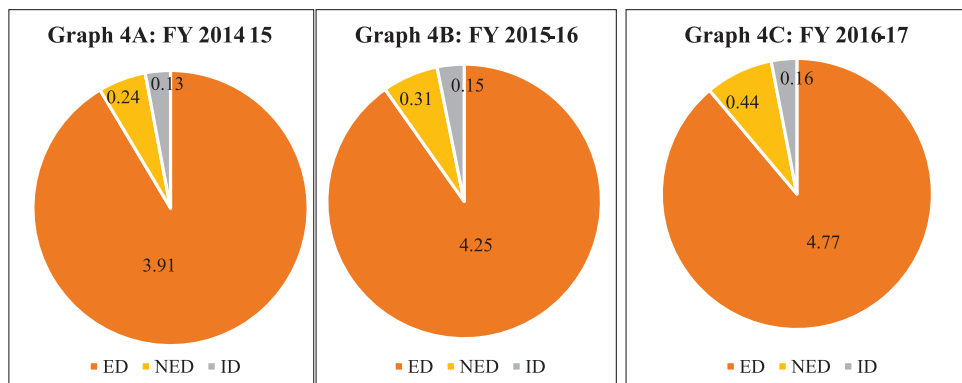
A broad categorisation of the same is provided in a pie-chart / Graph 3. Remuneration figures are in Rs crores.



Note: Rs. in crores

#Mr. Vineet Nayyar received ₹178.22 crores as perquisite value for exercising Stock Options during the FY 2015-16 being an outlier has not been considered in the above graph.

From Pie chart / Graphs 3, it is seen that while, the consolidated remuneration paid to Executive Directors has increased in absolute terms over the years, but their share as percentage of total remuneration has declined marginally from almost 89% in FY 2014-15 to 86.66% in FY 2016-17. On the other hand, the share of remuneration of Non-Independent and Non-Executive Directors ('NED') has seen an increase of almost 200 basis points during the same period. Further, the remuneration paid to the Independent Directors ('ID') has increased marginally during the 3 years, from around 6.13% in 2014-15 to 6.31% in FY 2016-17. What is these reason for change cannot be said for sure, as the sample size for the 3 years differs. Further, number of directors also differs and more so there is a redistribution amongst three categories, therefore, an average computation of the remuneration may indicate the actual per director remuneration change during the same period. The Pie Chart / Graphs 4 gives data for three years on average remuneration of three categories of directors for three years in our sample companies.



Note: Rs. in crores

It may be noted that the average remuneration of Executive Directors in the Sample Companies has increased from ₹3.91 Crores during FY 2014-15 to ₹4.77 crores during FY 2016-17, indicating an increase by 22% approximately. Similar growth in remuneration can be observed in the remuneration of both Non-Executive Director and Independent Directors category as well. Table 12 gives data on total remuneration, number of directors and their average remuneration year wise for three categories.

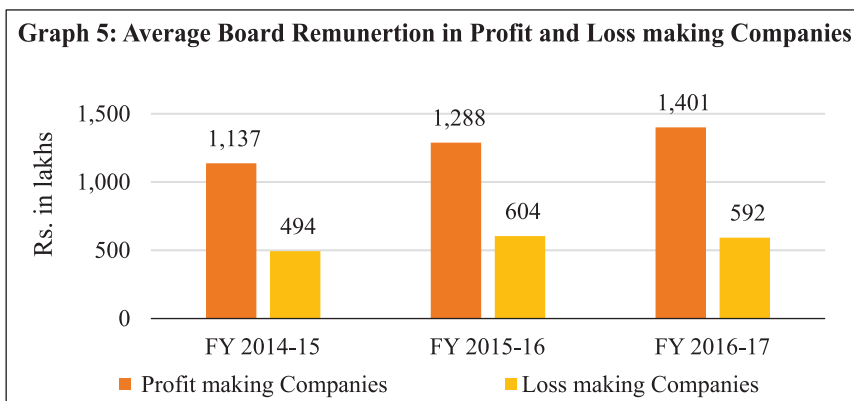
Nature of Directorship	FY 2016-17			FY 2015-16			FY 2014-15		
	Rem.*	Directors	Ave.*	Rem.*	Directors	Ave.	Rem.*	Directors	Ave.*
ED	4,881	1,023	4.77	4,191	986	4.25	3,766	964	3.91
NED	396	909	0.44	285	916	0.31	209	873	0.24
ID	355	2,174	0.16	320	2,141	0.15	260	2,058	0.13
Total	5,632	4,106		4,796	4,043	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

*Remuneration / Average in Rs. crores

The table 12 reveals that on average basis, remuneration increased for all the categories of directors over three-year period, while EDs remuneration increased by 22%, NEDs remuneration increased by almost 83% and IDs by 23%. What is the reason that NEDs got almost 4 times higher growth in remuneration compared to other categories? Is it general increase all across or selective increase, which gets buried under average? Further analysis will give some answers to these questions.

Total Board remuneration in loss making Companies

While, we have compared the average Board remuneration with Net Profits of the Companies in Sample, it may also be pertinent to consider the Total Board remuneration in cases of loss making Companies. Graph 5, indicates that the average of the entire Board remuneration (remuneration paid to directors resigned during the respective years is also included) in loss making Companies is almost half of that of the Profit Making Companies.

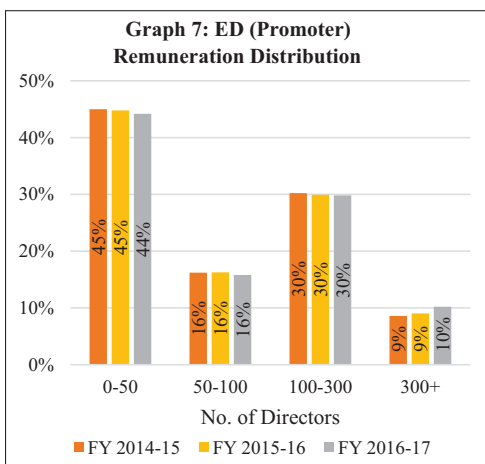
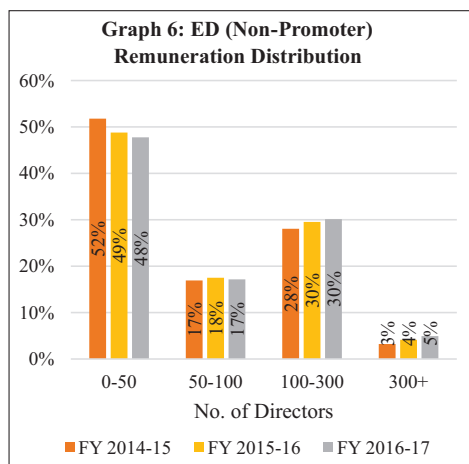


According to the Table 13, 38 Companies incurred losses during FY 2014-15 and 41 Companies incurred loss during FY 2015-16 & 2016-17 each. The average Board remuneration in these loss making Companies was in the range of approx. ₹ 4.94 to 5.92 crores during the past 3 years.

On the other hand, the average Board remuneration of the remaining profit earning Companies has remained above ₹ 10 crores during three year period under review.

Table 13					
Year	Loss making Companies		Profit making Companies		Total No. of Companies
	No. of Companies	Loss (Rs. in lakhs)	No. of Companies	Profit (Rs. in lakhs)	
FY 2014-15	38	-24,59,595	368	2,81,07,297	406
FY 2015-16	41	-32,07,882	387	3,04,58,683	428
FY 2016-17	41	-41,06,592	398	3,38,15,876	439

Remuneration Pattern as per number of Directors:



From the graphs it can be seen that in both Promoter ED (also referred as ‘EDP’) and Non-Promoter ED (also referred as ‘EDNP’) top 50 directors are taking almost 50% of total ED remuneration. This probably indicates that high remunerated directors are not limited to promoters alone. Executive Directors in bottom of the spectrum are paid poorly.

The data is presented in tabular form for clearer picture in Table 14 & 15

Table 14					
(in ₹ lakhs)	EDNP				
Rem Range	No. of EDNP	% Dir.#	Ave.	Total	% Rem.#
0-100	121	100	45	5,454	100
100+-200	106	74	158	16,712	97
200+300	60	52	245	14,696	88
300+-400	49	39	351	17,236	80
400+-500	28	29	442	12,392	70
500+-600	23	23	545	12,553	63
600+-700	19	18	641	12,192	56
700+-800	15	14	749	11,245	50
800+-1000	14	11	886	12,405	43
1000+-1500	25	8	1,262	31,560	36
1500+---	12	3	2,861	34,342	19
Total	472			1,80,787	

Table 15					
(in ₹ lakhs)	EDP				
Rem Range	No. of EDP	% Dir.#	Ave.	Total	% Rem.#
0-100	102	100	40	4,856	100
100+-200	107	81	151	16,165	98
200+300	73	62	247	18,066	93
300+-400	54	49	347	18,741	87
400+-500	53	39	444	23,568	80
500+-600	34	29	551	18,755	73
600+-700	17	23	648	11,023	66
700+-800	13	20	739	9,615	62
800+-1000	31	18	881	27,335	59
1000+-1500	35	12	1,184	41,458	50
1500+---	31	6	3,433	1,06,441	36
Total	550			2,96,023	

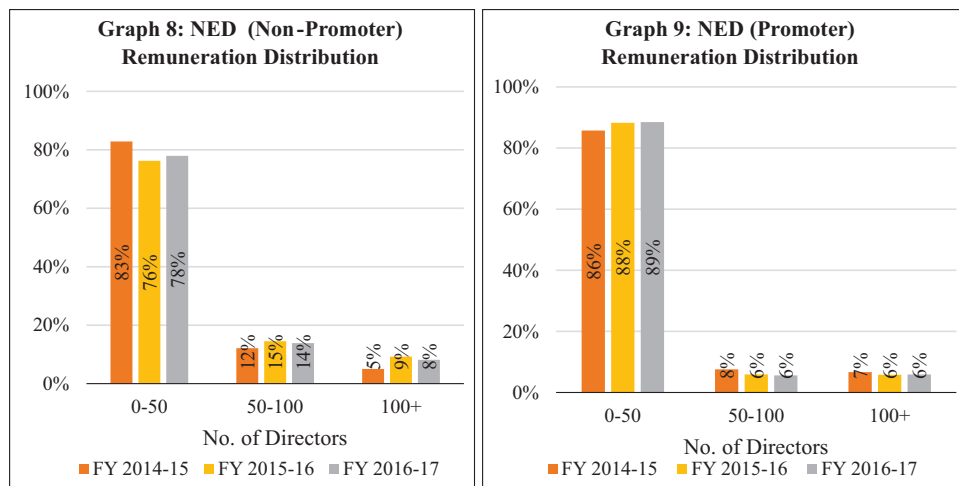
Cumulative Percentage.

From the tables 14 & 15, it is seen that top 6% of Promoter EDs share 36% of total EDP remuneration, as against this top 3% in Non Promoter ED category share 19% of remuneration. 12% EDP share almost 50% of remuneration. Correspondingly, 8%

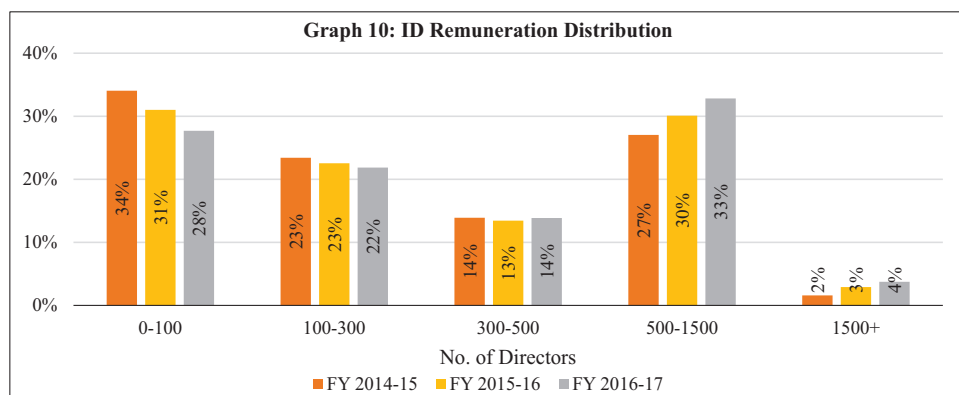
of EDNPs share about 36% of remuneration. The pattern is further skewed at bottom end of spectrum, in Promoter category 38% of EDPs at bottom get about 7% of remuneration and almost 48% of Non Promoter ED takes only 12% of remuneration.

In Non Promoter category, average at lower end of spectrum is less than 2% of average remuneration of top 3% of directors. Similarly in Promoter category, EDP at bottom end of spectrum get almost 1.2% of the average remuneration compared to average at the top end.

This indicates that in both categories the difference between top and bottom end of spectrum is very high.



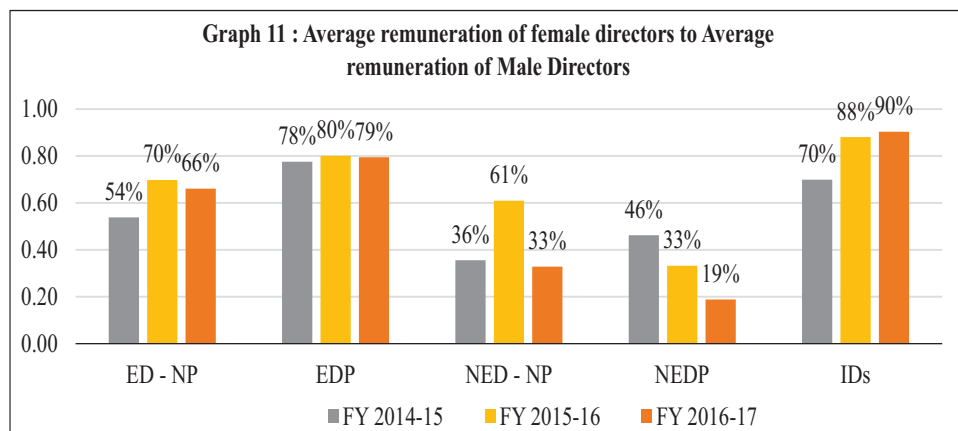
Compared to ED remuneration distribution, NED remuneration pattern is very skewed. Top 50 Non Promoter NEDs (NEDNP) are getting almost 75%+ total remuneration, while Promoter NED (NEDP), top 50 are getting about 90% of total remuneration indicating that hardly any remuneration is paid to other NEDs.



In Independent director category, skewedness is not observed as much as it is observed in NED and ED categories.

Remuneration on the basis of Gender

Lot of emphasis is being paid to gender diversification. Graph 11 indicates average remuneration of women directors as a percentage of average remuneration paid to men directors. It is very clear that in remunerating women directors there appears to be gender bias as can be seen from Graph 11 and Table 16

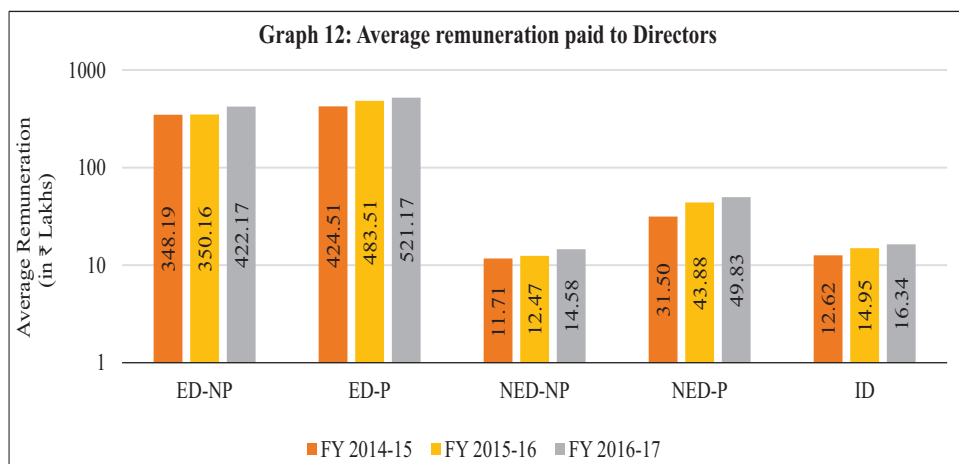


Category	FY 2014-15			FY 2015-16			FY 2016-17		
	Male	Female	Ratio	Male	Female	Ratio	Male	Female	Ratio
ED – NP	353.92	190.51	54%	353.63	246.69	70%	428.23	282.99	66%
ED - P	434.14	336.74	78%	493.63	395.26	80%	533.12	423.6	79%
NED - NP	12.57	4.47	36%	11.94	7.28	61%	15.79	5.18	33%
NED - P	33.96	15.7	46%	48.99	16.27	33%	56.88	10.71	19%
IDs	13.17	9.2	70%	15.19	13.38	88%	16.58	14.98	90%

The data in Table 16 indicates that across all categories throughout three year period as far as remuneration is concerned, there is differential, i.e. women directors are paid less. Is it because of bias or any other objective factor cannot be said with certainty. Further, averages unfortunately does not give correct picture many a times. Therefore, based on average alone no conclusion can be drawn.

Promoter vs Non-Promoter Directors

While, the increase in remuneration YoY across all categories is evident under the analysis done above, it shall also be interesting to know the remuneration difference between Directors related to Promoter Family versus other Professional Directors, since, Indian Companies are majorly Promoter Driven.



Graph 12, indicates that the remuneration is skewed in favour of the Promoters without any exceptions. Both Executive and Non-Executive remuneration categories witness Promoter drawing more remuneration than their Non-Promoter Counterparts. Promoter Non-Executive Directors (NEDP) are ahead in the remuneration department when compared with the remuneration of Independent Directors also. Non-Promoter NEDs (NEDNP) are the ones, who were paid the least amount of remuneration during all 3 years.

While, the average remuneration paid to Promoter Executive Director stands at ₹5.21 crores during FY 2016-17, their Non-Promoter counterpart were paid only around 81% (at ₹4.22 crores) of the same. Interestingly, Table 17 depicts that the remuneration of Non-Promoter EDs have grown at a higher rate than the Promoter EDs during FY 2016-17.

Is this growth rate an exception, or an indication of a paradigm shift in India Inc?

Table 17, indicates the Percentage growth in average Remuneration of Director during past 2 years.

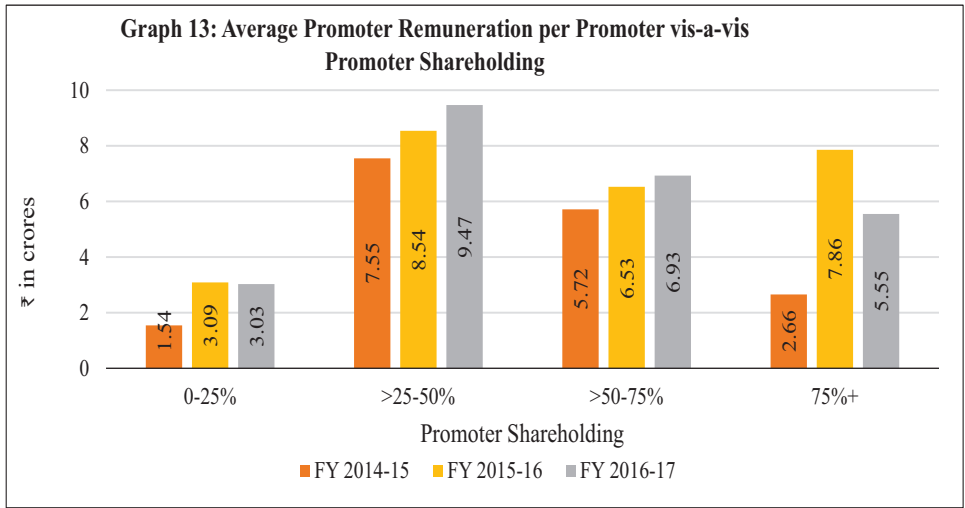
Table 17			
(in ₹ lakhs)	FY 2014-15	FY 2015-16	FY 2016-17
ED - NP	348.19	350.16	422.17
Growth %	-	0.56%	20.56%
EDP	424.51	483.51	521.17
Growth %	-	13.90%	7.79%
NED	11.71	12.47	14.58
Growth %	-	6.45%	16.88%
NEDP	31.50	43.88	49.83
Growth %	-	39.30%	13.57%

From Table 17 it can be seen that in 2016-17 EDNP remuneration growth rate at 20.56% was almost 3 times more than that of EDP, which was at 7.79% alone. This might indicate a very generous attitude of India Inc towards Professional Non-Promoter EDs. However, when one looks at 2015-16, the picture is clear that in previous year EDNP remuneration grew at 0.56% only against 13.90% for Promoter EDs. In three-year period maximum growth has been seen in remuneration of Promoter NED, which has grown almost 60%. Once again averages may not tell true picture, unless each and every case is examined individually along with specific situations applicable to Company/ director.

Promoter Remuneration distribution vis-à-vis Promoter Shareholding:

Generally, a higher Promoter Shareholding would mean that higher Board representation from the Promoter side. What would be interesting to study is that, whether the Promoter Shareholding is directly related with the remuneration paid to the Promoters?

Graph 13, depicts that the average remuneration paid by the Company to its Promoter Directors vis-à-vis the Promoter Shareholding in the Company as on 31st March, 2017. While, the remuneration paid to Promoter has increased YoY for Companies having Promoter shareholding from 25% to 75%, maximum average Board remuneration to Promoters is observed in Companies having Promoter shareholding between 25 to 50%.



Graph 13, captures the distribution of average Promoters remuneration per Company based on the Promoter shareholding during the past 3 years. One can observe that maximum increase in average Promoter remuneration is seen in Companies having Promoter shareholding between 25-50%, followed by the Company having Promoter shareholding of 50-75%. Average Promoter remuneration per Company during FY 2016-17 stood at ₹9.47 crores for Companies having Promoter shareholding between 25-50%, while the same stands at ₹6.93 crores in the 50-75% category.

Further, there has been a significant increase in the Promoter remuneration YoY in the above 75% promoter owned company segment. A broad categorisation of number of Companies falling under each category of shareholding Pattern is indicated in the Table 18.

Promoter Shareholding	2014-15			2015-16			2016-17		
	C	PD	Ave.	C	PD	Ave.	C	PD	Ave.
0-25%	26	34	1.31	28	39	1.39	34	48	1.41
25.01-50%	133	332	2.50	131	337	2.57	134	339	2.53
50.01-75%	242	696	2.88	254	690	2.72	260	698	2.68
Above 75%	2	4	2.00	6	15	2.50	11	33	3.00
Total	403	1,066	2.65	419	1,081	2.58	439	1,118	2.55

C- Companies; PD- Promoter Directors; Ave. - Average

Table 18 data reveals that promoter directors are maximum in companies where promoter equity is high, although difference is marginal. In 75%+ category directors have increased over the years as in majority of newly listed companies' promoter equity is high and the number of directors is also on higher side.

Promoter Remuneration distribution vis-à-vis Public Institutional Shareholding during FY 2016-17:

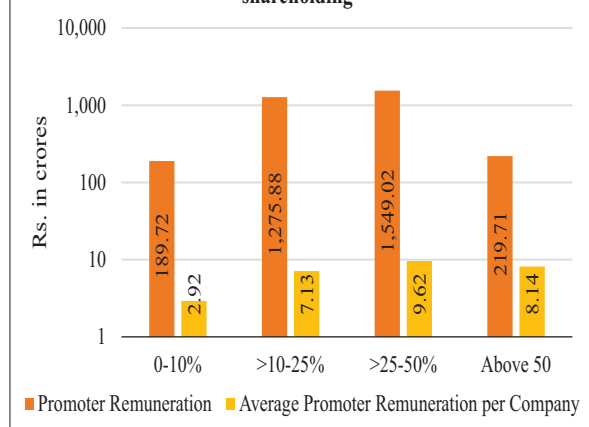
Does remuneration pattern depend on level of Institutional ownership in the company, is the next question that is being addressed in this Report. Graph 14, below indicates absolute and average Promoter remuneration during FY 2016-17 of Companies on various levels of Institutional ownership. Table 19 gives distribution of companies having Institutional shareholding and its range, out of 439 companies in sample 432 companies have been included 7 'Professional

Managed Companies' have been excluded from the list, since, they do not have any Promoter Directors.

Table 19: Promoter remuneration - Public Institutional Shareholding-2017

Public Institutional	No. of Companies	No. of Promoter Directors	Promoter Remuneration (Rs. in crores)	Average/ Company	Average/ Director
0-10%	65	144	189.72	2.92	1.32
10.01-25%	179	477	1,275.88	7.13	2.67
25.01-50%	161	436	1,549.02	9.62	3.55
Above 50	27	61	219.71	8.14	3.60
Total	432	1,118	3,234.32	7.49	2.89

Graph 14: Promoter remuneration per Company vis -à-vis distribution Institutional shareholding



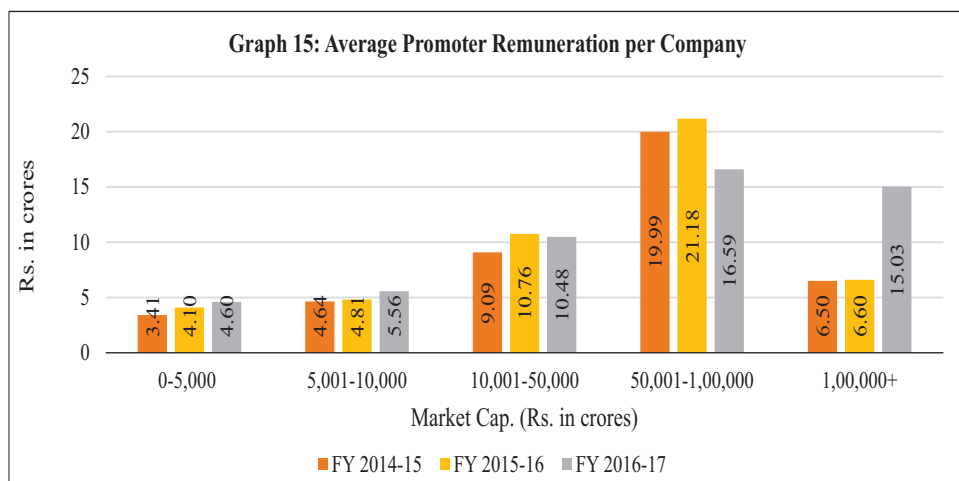
It is noticed that contrary to expectation, Average promoter remuneration is increasing with increase in institutional ownership. While, the average per Company Promoter remuneration in Companies having up to 10% of Institutional shareholding stands at ₹2.92 crores, the same increases to ₹7.13 crores in the 10-25% category and to Rs. 9.62 Crore in the 25-50%

category and at ₹8.14 crores for Companies having above 50% of Public Institutional shareholding. Is it a case that institutions do not mind high promoter remuneration or because higher Public Institutional shareholding is directly correlated to the performance and potential in a Company, larger Public Institutional shareholding indicate that much larger size of the Company, therefore, higher remuneration?

Promoter Remuneration distribution vis-à-vis Market Capitalisation:

Does market capitalisation impact level of remuneration? It may also be interesting to analyse the Promoter remuneration pattern across Companies having different Market Capitalisation. Market Cap of the Sample Companies as on 31st March, 2017 has been considered as a base, the Companies across different Market Cap for

3 years has been categorised under Graph 15, which depicts average per Company remuneration paid to Promoters, during the past 3 years.



In line with the expectation, the remuneration outlay to Promoters per Company has increased with the Market Capitalisation of the Company during the past 3 years. However, average per Company Promoter remuneration has witnessed a downwards drift during FY 2016-17 in the ₹50,000-₹1 lakhs crores of Market Cap segment. This appears to be on account of reduction in Promoter Remuneration amounting to ₹111.29 crores between 3 Companies, viz, Hero MotoCorp Ltd, Lupin Ltd, Godrej Consumer Products Ltd.

Further, Companies having market Capitalisation in excess of ₹1 lakhs crores has experienced a significant growth during FY 2016-17. This is mainly due to remuneration amounting to ₹160 crores paid to Mr. Meswani of Reliance Industries on exercise of Stock Options. Also, this category has various ‘Professional Managed Companies’, due to which the average remuneration per Company has dipped compared to Companies having lower market Capitalisation.

In nutshell, higher market cap indicates higher remuneration.

Remuneration Distribution based on percentage of Boards remuneration paid:

The data was further analysed to relate Remuneration paid to Promoter and Non-Promoter Directors in the sample based on percentage of Boards remuneration paid. The results are presented in Table 20 (No. of Companies) EDP and NEDP

have been clubbed

Table 20								
% of Total Board Remuneration	Number of companies				Percentage of companies			
	Total Promoter Remuneration	Non-Promoter Remuneration			Total Promoter Remuneration	Non-Promoter Remuneration		
		ED	NED	ID		ED	NED	ID
0-5%	130	169	405	184	30%	38%	92%	42%
5-10%	14	15	17	99	3%	3%	4%	23%
10-20%	22	34	14	86	5%	8%	3%	20%
20-30%	11	29	0	28	3%	7%	0%	6%
30-40%	15	26	2	10	3%	6%	0%	2%
40-50%	17	21	1	4	4%	5%	0%	1%
50-60%	22	20	0	5	5%	5%	0%	1%
60-70%	23	24	0	7	5%	5%	0%	2%
70-80%	39	28	0	2	9%	6%	0%	0%
80-90%	47	35	0	7	11%	8%	0%	2%
90-100%	99	38	0	7	23%	9%	0%	2%

It can be seen that throughout the sample bias is seen related to Promoter and Non-Promoter remuneration. There were 99 companies in which promoters had 90 -100% of Board remunerations, on the other hand there were only 38 companies which paid 90-100% of Board remuneration to Non-Promoter EDs and only 7 companies which paid 90-100 % of Board remuneration to IDs. On the other hand, at the bottom end of spectrum there were 130 companies which paid up to 5% of board remuneration to promoters, whereas 169 companies paid up to 5% of board remuneration to Non-Promoter EDs, 405 companies in case of NEDNP and 184 companies in case of IDs. In percentage terms, while 23% companies paid 90-100% board remuneration to promoters, only 9% paid such remuneration to EDNP and only 2% to IDs. On the other end of spectrum, only 30% companies paid up to 5% of board remuneration to promoters, whereas a whopping 92% paid such remuneration to NEDNP. Once again establishing bias in promoter remuneration practice.

Continuing with the analysis, top 5 and bottom 5 companies in terms of percentage of total Board remuneration to IDs, NEDs and ED (all Non-Promoters have been analysed and placed at Table 21, 22, 23, 24, 25 & 26):

Table 21: Top 5 Companies having Highest paid IDs-% of Board		
Company Name	ID Rem. (Rs. in lakhs)	% of Total Board Rem.
Adani Power Ltd	6.40	100.00%
Coffee Day Enterprises Ltd	23.00	100.00%
Gati Ltd	39.20	97.42%
Syngene International Ltd	133.20	94.33%
HCL Infosystems Ltd	57.00	93.83%

Table 22: Bottom 5 Companies having Lowest paid IDs-% of Board		
Company Name	ID Rem. (Rs. in lakhs)	% of Total Board Rem.
Marksans Pharma Ltd	0.25	0.06%
Sun TV Network Ltd	14.40	0.09%
MRF Ltd	8.20	0.16%
Balkrishna Industries Ltd	10.55	0.16%
Divis Laboratories Ltd	15.50	0.17%

Table 23: Top 5 Companies having Highest paid NEDNP-% of Board		
Company Name	NED Rem. (Rs. in lakhs)	% of Total Board Rem.
Karnataka Bank Ltd	79.00	45.14%
Reliance Defense & Engineering Ltd	84.40	38.46%
GE T&D India Ltd	205.91	31.51%
Reliance Power Ltd	6.80	17.89%
Parag Milk Foods Ltd	96.00	17.81%

Table 24: Bottom 5 Companies having Lowest paid NEDNP-% of Board		
Company Name	NED Rem. (Rs. in lakhs)	% of Total Board Rem.
Sun TV Network Ltd	1.40	0.01%
Vardhman Textiles Ltd	0.35	0.01%
Avanti Feeds Ltd	0.75	0.03%
Dilip Buildcon Ltd	0.90	0.04%
T.V. Today Network Ltd	0.60	0.05%

Table 25: Top 5 Companies having Highest paid EDNP % of Board		
Company Name	ED Rem. (Rs. in lakhs)	% of Total Board Rem.
Indiabulls Ventures Ltd	32.26	100.00%
Rattanindia Power Ltd	335.65	100.00%
Whirlpool of India Ltd	2,584.52	98.90%
Aditya Birla Fashion & Retail Ltd	940.65	98.69%
Aegis Logistics Ltd	660.00	98.21%

Table 26: Bottom 5 Companies having Lowest paid EDNP % of Board		
Company Name	ED Rem. (Rs. in lakhs)	% of Total Board Rem.
Dhanuka Agritech Ltd	0.26	0.01%
K P R Mill Ltd	8.94	0.32%
Sun TV Network Ltd	117.00	0.74%
Balkrishna Industries Ltd	49.20	0.75%
Ujjivan Financial Services Ltd	12.73	1.03%

It is interesting to note that in the lowest percentage board remuneration in EDs and IDs category, majority companies have very high ED promoter remuneration. Clearly establishing bias in remuneration practices at board level.

Variable Pay Analysis:

Compensation/ remuneration to board members should be an ideal mix of fixed and variable components. Is India Inc following that path? Analysis of variable pay is presented in table 27 & 28

Table 27: Variable Pay Analysis						
(Rs. crores)	FY 2014-15		FY 2015-16		FY 2016-17	
	Variable Pay	%	Variable Pay	%	Variable Pay	%
Promoter	1,210	69%	1,576	69%	1,804	64%
Non-Promoter	533	31%	710	31%	1,027	36%
Total	1,743	100%	2,286	100%	2,831	100%

It is very clearly seen that a major chunk of variable pay is taken by Promoter directors, their share was 69% in 2014-15 and 2015-16, however the same came down to 64% in 2016-17. Does it mean that promoters believe that positive performance is attributed largely to them, hence they deserve lions share? Or is it a case of a lower base pay for promoters, resulting in higher variable pay? Indicating due to bad performance promoters are first to sacrifice their earnings? Analysis of total remuneration elsewhere indicates that overall promoters' average salary is more than non-promoter salary, therefore conclusion that promoters are sacrificing may not be correct in general excepting few cases. However, as the above amount is total amount of variable pay of all directors, analysis of average pay (Table 28) will be a better measure to assess.

Table 28: Average Variable Pay Analysis (per Company)						
(Rs. crores)	FY 2014-15		FY 2015-16		FY 2016-17	
	Variable Pay	%	Variable Pay	%	Variable Pay	%
Promoter	2.98	69.44%	3.68	68.96%	4.11	63.73%
Non-Promoter	1.31	30.56%	1.66	31.04%	2.34	36.27%
Total	4.29	100%	5.34	100%	6.45	100%

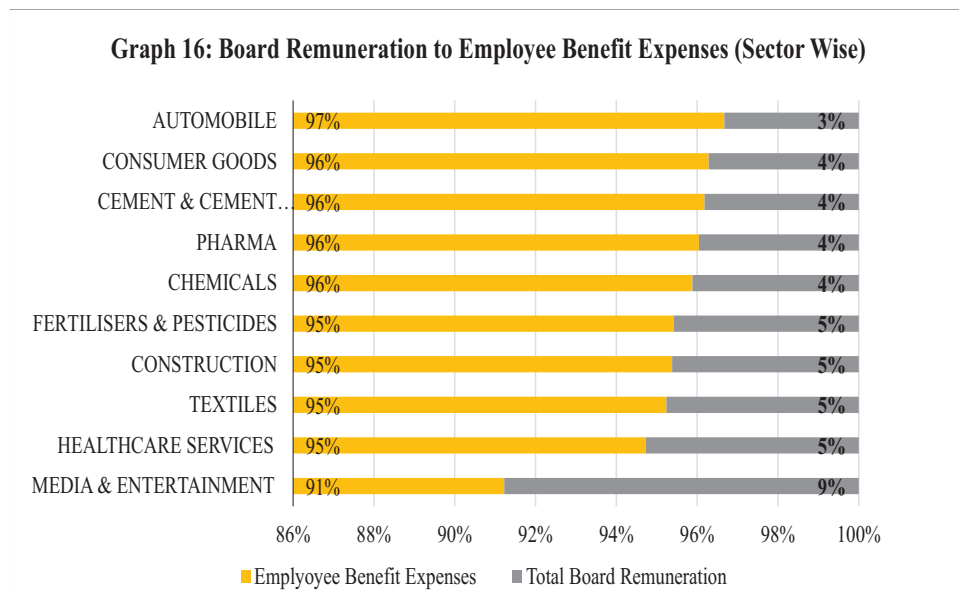
Further analysis of variable pay on average clearly indicates that on average variable pay per promoter director is almost two times variable pay of non-promoter director, once again confirming that there could be bias on remuneration to promoters at least on global data basis.

Further, the small jump that is seen in 2016-17 which is due to increase in variable pay of Mr. Chander P. Gurnani, Tech Mahindra (Non-Promoter) from variable of Rs. 43 crores to in FY 2015-16 to Rs. 148 crores in FY 2016-17. (Stock Options).

Total board Remuneration vis-à-vis Employee Benefits Expense

Graph 16, depicts a comparison of the entire Employee Benefit Expenses with the Total Board remuneration (including directors who resigned) in the Sample Companies. Industries having more than 25 Companies have been considered in the below Graph. As the employee benefit expense includes remuneration paid to the directors as per IND AS, therefore, the Employee Benefit Expense is computed

after deducting the Total Board remuneration, so that an appropriate Comparison could be drawn.



The Board remuneration forms only 3% of the total employee benefit expenses in Automobile Industry, on the other hand, almost 1/10th of the total employee benefit expenses comprise of Board remuneration in Media & Entertainment industry. Once again, the averages may not tell the correct story. List of 10 companies having highest ratio of promoters' remuneration to Total wage bill is given in table 29

Sr. No.	Company Name	EC (₹ Crore)	BR (₹ Crore)	EM without BR (₹ Crore)	BR / EC	No. of Emp.	AEW (in ₹ lakhs)	BR/ EC x No. of Emp.
1	Suntech Realty Ltd*	7.05	4.33	2.72	1.59	206	1.32	328
2	Sun TV Network Ltd	256.27	157.19	99.08	1.59	1,959	5.06	3,108
3	Manpasand Beverages	20.96	10.86	10.1	1.08	717	1.41	771
4	Sharda Cropchem Ltd	22.54	10.56	11.98	0.88	139	8.62	123
5	IRB Infrastructure Developers Ltd*	58.51	26.49	32.02	0.83	48	66.71	40
6	CCL Products (India)	33.52	13.90	19.63	0.71	445	4.41	315
7	Avanti Feeds Ltd	67.99	26.67	41.32	0.65	815	5.07	526
8	DLF Ltd	107.74	37.83	69.91	0.54	1717	4.07	929
9	Balkrishna Industries Ltd	224.29	65.92	158.37	0.42	2,595	6.10	1,080
10	Swan Energy Ltd	10.52	3.05	7.47	0.41	171	4.37	70

EC: Employee Cost; BR: Total Board Remuneration; No. of Emp.: No. of Employees; AEW: Average per Employee Wage

**These companies mainly operate through SPVs, therefore are akin to holding companies, hence are outliers for purpose of drawing any conclusion.*

In the above table, holding companies have been excluded as in such company's board has very high share of total wage bill, as holding companies have very small operating staff. Similarly, professionally managed companies have been removed.

In the sample, there are 17 companies (excluding holding/ professionally managed companies) which have Board remuneration comprising of more than 20% of total wage bill. Once again percentage may not be the right metrics. Comparing average employee wage with promoter's average reveals degree of skewedness. It is seen that Sun TV Networks has maximum skewedness on almost all factors, its Board takes almost 1.6 times the entire wage bill of the 2,000 employees. Similarly, Sunteck Reality also has this ratio at 1.60, however due to holding company nature of the company, no further analysis is done except to highlight.

Sun TV has extremely skewed remuneration practice, their Board takes almost 3,100 times average salary of its all other employees. Going even deeper, almost 99% of board remuneration is shared by husband wife duo promoter directors, indicating a board member is paid almost 1,500 times average wages of an employee.

Table 30 gives details of bottom 10 companies Board Remuneration as % of total wage bill.

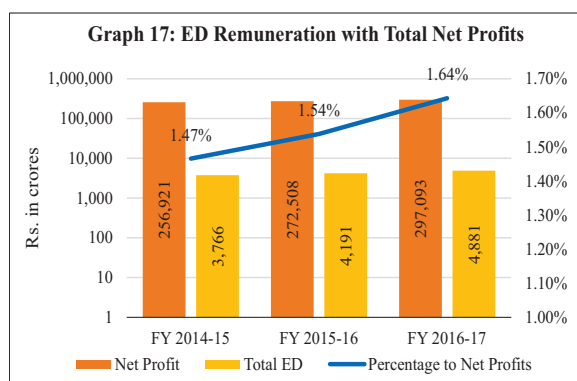
SR. No.	Company Name	Employee Cost (Rs. Crore)	Total Board Remuneration (Rs. Crore)	BR as % of EC
1	Gujarat Narmada Valley Fertilizers & Chemicals Ltd (GNFC)	374.37	0.06	0.01%
2	Videocon Industries Ltd	375.71	0.13	0.03%
3	Adani Power Ltd	181.66	0.06	0.04%
4	Unitech Ltd	86.98	0.05	0.06%
5	GE Power India Ltd	486.75	0.32	0.07%
6	Atul Ltd	173.23	0.13	0.07%
7	Gujarat State Fertilizers & Chemicals Ltd (GSFC)	510.22	0.42	0.08%
8	Qess Corp Ltd	2,936.30	3.01	0.10%
9	Infosys Ltd	30,944.00	32.74	0.11%
10	Jet Airways (India) Ltd	2,941.82	3.11	0.11%

Of the 10 companies, GNFC & GSFC are state PSUs. Videocon, Adani Power & Unitech are in financial problem/ loss making. Therefore, their inclusion in above list is because of circumstances and not necessarily because of good policies.

EXECUTIVE REMUNERATION ANALYSIS

Executive Directors are involved in the day-to-day operations of the Company. Board of directors of the Company are the custodians of shareholders' interests, and that the remuneration of Executive Directors should be a reflection of their performance as well as the Company's profitability.

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.



Total Executive Remuneration with Net Profits

Graph 17 link the Executive Directors remuneration with the Total Standalone Net Profits of the sample Companies during the past 3 years. Graph xx, indicates that the Executive remuneration of directors of Sample Companies

has increased over the three-year period and increased from 1.47% of net profit to 1.64% of Standalone Net Profits.

Table 31, 32, 33 & 34 analyses top 10 EDs in MNC and Indian Corporate in terms of absolute as well as % to board remuneration.

Director Name	Company Name	Variable Pay (in Cr)	Total Pay (in Cr)	Total Board Remuneration (in Cr)	% of Board Remuneration
Arvind Uppal	Whirlpool of India Ltd	7.67	15.34	26.13	58.71
Sanjiv S. Mehta	Hindustan Unilever Ltd	2.27	14.20	34.02	41.74
Issam T. Bachaalani	Colgate-Palmolive (India) Ltd	3.72	13.59	24.19	56.18
Sunil D. Mathur	Siemens Ltd	5.05	11.08	18.69	59.28
Tarun C. Jain	Vedanta Ltd	2.13	10.49	42.95	24.42
Thomas Albanese	Vedanta Ltd	2.75	9.73	42.95	22.65
Al A. Rajwani	Procter & Gamble Hygiene and Health Care Ltd	-	8.97	9.38	95.63
Pathamadai B. Balaji	Hindustan Unilever Ltd	0.94	8.33	34.02	24.49
Mustafa O. Dorman	Castrol India Ltd	0.50	6.06	9.78	61.96
Sunil A. Dsouza	Whirlpool of India Ltd	3.47	6.02	26.13	23.04

Among the Professional EDNPs in MNCs, highest paid (including ESOPs) is Mr. Arvind Uppal, who gets about ₹ 15 Crore as remuneration, which is about 60% of total board remuneration. There are no women in the list. Procter & Gamble ED Mr. Al Abdulmalek Rajwani, despite not being at the top of the table, has received highest percentage of board remuneration at 96% of board remuneration. Does this mean that Entire board sans ED contributes as little as about 4% of total board contribution? Did the law envisage such lopsided distribution? Going by our definition of remuneration at the beginning, can we say this represent remuneration as understood for entire board?

Table 32: Top 10 highly paid EDPs in MNC in 2016-17

Director Name	Company Name	Variable Pay (in Cr)	Total Pay (in Cr)	Total Board Remuneration (in Cr)	% of Board Remuneration
Navin Agarwal	Vedanta Ltd	2.63	14.54	42.95	33.85
Krishan K. Modi	Godfrey Phillips India Ltd	3.60	8.40	16.64	50.48
Manoj Kumar	Glaxosmithkline Consumer Healthcare Ltd.	2.40	5.84	14.85	39.33
Samir Modi	Godfrey Phillips India Ltd	1.00	4.88	16.64	29.33
S. Bhattacharya	Bosch Ltd	1.95	4.60	16.33	28.17
Anant J. Talaulicar	Cummins India Ltd	-	4.40	5.38	81.78
Debarati Sen	3M India Ltd	-	4.00	7.12	56.18
Ramachandran Raman	BASF India Ltd	1.07	3.70	7.05	52.48
Vivek Anand	Glaxosmithkline Consumer Healthcare Ltd.	1.38	3.11	14.85	20.94
S Rao	3M India Ltd	-	1.86	7.12	26.12

In Promoter EDs category for 2016-17, Mr. Anant Jaivant Talaulicar of Cummins India Ltd had about 82% of total Board remuneration as his remuneration for ED position.

In the MNC EDPs list the top position is occupied by Mr. Naveen Agarwal of Vedanta, who for only technical purpose is classified as MNC, otherwise it is family owned Indian company. His remuneration is ₹ 14.54 crore or 33.85% of Board remuneration. Similarly the next in the list is another promoter Mr. K K Modi of Godfrey Phillips India Ltd. In the list all those who are nominees of parent are classified as promoter EDs. The list is exceptional as it has lone woman (Ms. Debarati Sen) among the EDs in highest paid category, although categorised as promoter, she is a professional.

Table 33: Top 10 highly paid EDs (NP) in Indian Corporate company's in 2016-17					
Director Name	Company Name	Variable Pay (in Cr)	Total Pay (in Cr)	Total Board Remuneration (in Cr)	% of Board Remuneration
Chander P. Gurnani	Tech Mahindra Ltd	148.16	150.71	160.29	94.02
Anilkumar M. Naik	Larsen & Toubro	37.25	78.91	148.55	53.12
Madhusudana S. Panda	Reliance Industries	49.51	53.72	247.49	21.71
Om P. Manchanda	Dr. Lal PathLabs Ltd	-	33.19	37.77	87.87
Venkata Ramana	Divis Laboratories	22.13	24.17	88.90	27.19
N. Subrahmanyam	Larsen & Toubro	18.47	23.71	148.55	15.96
Gunter K. Butschek	Tata Motors Ltd.	6.70	22.55	27.86	80.94
Markand I. Bhatt	Torrent Power Ltd	9.00	21.00	38.51	54.53
Kamal K. Sharma	Lupin Ltd	7.99	19.04	100.80	18.89
Satish Pai	Hindalco Industries	7.81	17.51	75.85	23.09

Among the Indian EDs in Non-Promoter category, the top position is held by Mr. Gurnani of Tech Mahindra, who has got Rs 148 Cr as remuneration, amounting to 94.02% of Board remuneration, highest proportion amongst all EDs. His remuneration had large chunk coming out of ESOPs. Mr. O P Manchanda of Dr. Lal's Pathlab and Mr. Guenter Karl Butschek of Tata Motors both have remuneration in excess of 80% of total board remuneration. In case of Tata Motors, the high % is mainly due to the fact that Indian operations have not been profitable for quite some time.

Table 34: Top 10 highly paid EDPs in Indian Corporate in 2016-17					
Director Name	Company Name	Variable Pay (in Cr)	Total Pay (in Cr)	Total Board Remuneration (in Cr)	% of Board Remuneration
Nikhil R. Meswani	Reliance Industries Ltd	76.18	80.76	247.49	32.63
Hital R. Meswani	Reliance Industries Ltd	76.18	80.76	247.49	32.63
Kavery Kalanithi	Sun TV Network Ltd	64.79	77.93	157.19	49.58
Kalanithi Maran	Sun TV Network Ltd	64.79	77.93	157.19	49.58
Pawan Munjal	Hero MotoCorp Ltd	45.64	59.66	87.39	68.27
Desh B. Gupta	Lupin Ltd	42.86	47.66	100.80	47.28
Murali P. Divi	Divis Laboratories Ltd	44.26	46.47	88.90	52.27
Onkar S. Kanwar	Apollo Tyres Ltd	33.60	45.74	83.38	54.86
Ramasamy Raja	The Ramco Cements	44.18	44.44	44.64	99.55
Hari M. Bangur	Shree Cement Ltd	20.00	38.22	56.83	67.25

Among the Indian Promoter EDs, top two positions are occupied by Nikhil and Hital Meswani brothers, mainly on account of ESOPS. All other EDs in the list have been receiving such high remuneration on regular basis. Sun TV, husband wife duo tops the list (excluding ESOPS). In percentage terms, Mr. R Raja of Ramco with 99.55% remuneration of board tops the list.

Table 35: Top 10 Highly Paid EDNP respect to percentage of total board remuneration in 2016-17

Director Name	Company Name	Total Pay (in Cr)	Total Board Remuneration (in Cr)	Net Profits (in Crores)	% of Board Remuneration
Divyesh B.Shah	Indiabulls Ventures Ltd	0.32	0.32	47.09	100.00
Pranab Barua	Aditya Birla Fashion	9.41	9.53	53.50	98.69
Sumit Malhotra	Bajaj Corp Ltd	2.96	3.03	220.96	97.77
Ashish Kapadia	Delta Corp Ltd	1.58	1.63	52.62	97.45
Al A. Rajwani	Procter & Gamble	8.97	9.38	423.18	95.66
Rajesh Subramaniam	Firstsource Solutions Ltd	12.26	12.82	188.46	95.59
Subrata Bhattacharya	Jindal Stainless Ltd	1.76	1.85	58.34	95.48
C. P. Gurnani	Tech Mahindra Ltd	150.71	160.29	3,047.30	94.02
Shantanu Khosla	Crompton Greaves Consumer	5.59	5.95	290.69	93.95
Desh D. Khetrpal	Orient Cement Ltd	6.81	7.32	-32.10	93.10

From the table it is clear that in many companies, rest of the Board apart from Executive Directors gets meagre amount. In the top 10 companies listed in Table 35, EDs are getting more than 90% of total board remuneration, indicating that the Board and Remuneration Committee has evaluated the contribution of entire board only worthy of remuneration which is less than 10% of the Board? Such remuneration practice certainly raises doubt on efficacy of remuneration committee and board evaluation process.

Table 36: Top 10 Highly Paid EDPs respect to percentage of total board remuneration in 2016-17

Director Name	Company Name	Total Pay (in Cr)	Total Board Remuneration (in Cr)	Net Profits (in Crores)	% of Board Remuneration
Vishnukanth B. Chaturbhuj	Shilpa Medicare Ltd	8.17	8.20	126.59	99.66
P. R. Raja Ramasubrahmaneya Rajha	The Ramco Cements Ltd	44.44	44.64	649.29	99.56
Nirmal K. Minda	Minda Industries Ltd	5.92	6.04	94.82	98.00
Sabu M. Jacob	Kitex Garments Ltd	7.52	7.74	92.54	97.08
Aditya Ghosh	Interglobe Aviation Limited	6.48	6.68	1,659.19	97.08
Ness N. Wadia	Bombay Burmah Trading Corporation Ltd	3.48	3.60	-3.20	96.83
Ramani R. Subramani	8K Miles Software Services Ltd	0.20	0.21	2.26	96.39
Prakash A. Mody	Unichem Laboratories Ltd	5.59	5.82	103.87	96.12
Sanjay Gupta	APL Apollo Tubes Ltd.	3.00	3.17	39.33	94.64
Ashok K. Goel	Essel Propack Ltd	7.17	7.71	65.11	92.95

The analysis is an eye opener, in all these companies Promoter EDs get more than 90% of boards remuneration. In all probability the actual payment of money will not be able to justify, whether the Remuneration Committee has worked? If the answer is yes how they have evaluated them to be zero contributor to the boards they sit on? Such remuneration data makes one ask a question, are other board members philanthropist who are devoting their quality time to further interest of owners in his commercial pursuits or they are just figure heads or are really worthy of this remuneration only? A question, answer to which can only be given by individual concerned.

Skewed Remuneration:

Conceptually, there cannot be skewed remuneration, if one were to follow what remuneration means. To recapitulate it means fair exchange of labour/ work for money in equal terms. Therefore, any individual getting lower remuneration in the same category is indicative of the fact that work put in by the individual is not of the quality to attract fair remuneration. Indicating that on the boards where there is lot of divergence between remuneration of directors, it would be amply clear that either these under remunerated directors are not performing as well as others or they are being discriminated. Non-performance cannot be an issue or cannot be accepted as how a company run with a board where 99% of work is done by an individual and rest of the board contribute only 1%. In such a case why one would ever need a Board? Table 37 shows skewed nature of remuneration practices in Indian promoter owned companies.

Name of the Company	Avg. EDNP Rem. (in ₹ lakhs)	Avg. EDP Rem. (in ₹ lakhs)	Ratio ED-NP to EDP
Dhanuka Agritech Ltd	0.26	353.92	1,361
Sun TV Network Ltd	117.00	7,793.00	67
Balkrishna Industries Ltd	49.20	3,265.36	66
K P R Mill Ltd	8.94	546.60	61
Kitex Garments Ltd	15.75	751.89	48
Hero MotoCorp Ltd	222.00	5,966.00	27
Suprajit Engineering Ltd	14.00	310.10	22
Praj Industries Ltd	27.47	518.72	19
Granules India Ltd	58.33	1,022.97	18
Balrampur Chini Mills Ltd	21.08	323.22	15
Indo Count Industries Ltd	59.03	902.08	15
Solar Industries India Ltd	28.50	283.00	10
PC Jeweller Ltd	70.82	690.00	10

In the above 13 companies, remuneration practices are observed to be skewed in favour of promoters. In Dhanuka Agri, remuneration of Promoter ED is 1,361 times of Non-Promoter EDs; in Sun TV it is almost 67 times. Applying the logic of fairness and equality of work concept, unless one believes that contribution of two EDs (Promoter versus Non-Promoter) could be so different, can one conclude that the Boards are not functioning the way they must function, and remuneration committee is not doing its bit?

The analysis further reveals that there are 69 companies where remuneration of Promoter ED is 3 times or more of Non-Promoter ED. Surprisingly, there are 18 companies which do not pay any remuneration to their EDs, there are 11 companies which do not have EDs. And on the other end of spectrum are the 32 companies which have paid more remuneration to Non-Promoter EDs compared to Promoter EDs. Top 10 companies with Non-Promoter ED getting more than Promoter EDs are listed at Table

Table 38 (in ₹ lakhs)							
Name of the Company	No. of EDNP	EDNP Rem.	No. of EDP	EDP Rem.	Total	Difference	Ratio EDNP/ EDP
Dr Lal Pathlabs Ltd	1	3,319	2	377	3,696	-2,942	17.61
Cipla Ltd	2	1,772	1	390	2,162	-1,382	4.54
Varun Beverages Ltd	3	1,466	1	241	1,707	-1,225	6.08
Aurobindo Pharma Ltd	2	1,508	3	369	1,878	-1,139	12.26
Wipro Ltd	1	1,356	2	248	1,603	-1,108	10.94
DLF Ltd	2	2,144	2	1,230	3,373	-914	3.49
Adani Ports	1	1,110	1	280	1,390	-830	3.96
Kalpataru Power	1	761	1	154	915	-607	4.94
United Breweries Ltd	1	832	1	240	1,072	-592	3.47
Torrent Power Ltd	1	2,100	3	1,572	3,672	-528	4.01

The 10 companies listed in Table 39, the highest ratio in favour of Non-Promoter EDs is 17.61, indicating Non-Promoter ED got more than 17 times more than Promoter ED, on the other hand most discriminating companies in terms of absolute amount are listed at Table 39

Table 39				
Name of the Company	Avg. EDNP Rem. (in ₹ lakhs)	Avg. EDP Rem. (in ₹ lakhs)	Difference	Ratio EDNP/ EDP
Sun TV Network Ltd	117.00	7,793.00	7,676.00	66.61
Hero MotoCorp Ltd	222.00	5,966.00	5,744.00	26.87
Balkrishna Industries Ltd	49.20	3,265.36	3,216.16	66.37
Reliance Industries Ltd	2,863.00	5,884.00	3,021.00	2.06
Bajaj Auto Ltd	439.28	1,851.01	1,411.73	4.21
UPL Ltd	178.50	1,526.00	1,347.50	8.55
Alembic Pharmaceuticals Ltd	291.00	1,450.00	1,159.00	4.98
IRB Infrastructure Developers Ltd	152.50	1,162.35	1,009.85	7.62

The highest difference between Promoter ED and Non-Promoter ED is Rs. 76.76 Crore in case of Sun TV Networks, followed by Hero motors at Rs. 57.44 Crore.

The remuneration data has been further analysed to capture % of board remuneration paid to various category of directors. Table 40 reflects result of analysis.

Table 40								
Ratio of Total pay to Total Board Remuneration	Total Directors							
	EDNP		EDNP(W)		EDP		EDP(W)	
	Number	%	Number	%	Number	%	Number	%
90+	16	4%	0	0%	16	3%	0	0%
80-90	19	4%	0	0%	15	3%	1	2%
70-80	19	4%	2	11%	20	4%	1	2%
50-70	49	11%	2	11%	68	13%	3	5%
30-50	84	19%	2	11%	155	31%	14	23%
0-30	250	57%	12	67%	232	46%	43	69%
Total	437	100%	18	100%	506	100%	62	100%

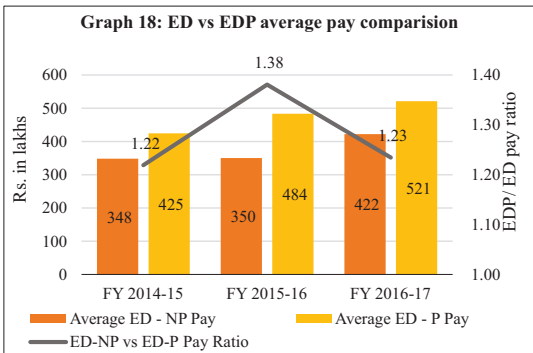
Data in table 40 reveals that almost 75% of EDs (promoter and non-promoter) were in the category of receiving up-to 50% of total board remuneration, and 32 (16 EDP and EDNP each) were in the bracket receiving more than 90% of total board remuneration. It appears that there is no difference between Promoter and Non-Promoter EDs at least on this parameter. However, gender bias is seen on this parameter as well. For example, there was no women in top two ranges. However, no significant conclusion can be drawn as very few women EDs are there. Out of total 80 women EDs almost 80% are promoter EDs whereas, in male category this ratio is 53%. This indicates fewer women are being appointed in executive category. Most of the non-promoter EDs are in Financial services, IT and MNCs.

List of highest paid Executive Directors across 3 years is provided in Table 41:

Table 41: List of highest paid Executive Directors across 3 years					
Sr. No.	Directors (Top 2016-17)	Company	2016-17	2015-16	2014-15
1	Chander P. Gurnani	Tech Mahindra Ltd	Yes	Yes	Yes
2	Hital R. Meswani	Reliance Industries Ltd	Yes	No	No
3	Nikhil R. Meswani	Reliance Industries Ltd	Yes	No	No
4	Anilkumar M. Naik	Larsen & Toubro Ltd	Yes	Yes	No
5	Kavery Kalanithi	Sun TV Network Ltd	Yes	Yes	Yes
6	Kalanithi Maran	Sun TV Network Ltd	Yes	Yes	Yes
7	Pawan Munjal	Hero MotoCorp Ltd	Yes	Yes	Yes
8	Madhusudana S. Panda	Reliance Industries Ltd	Yes	No	No
9	Desh Bandhu Gupta	Lupin Ltd	Yes	Yes	No
10	Murali Krishna P. Divi	Divis Laboratories Ltd	Yes	Yes	Yes

5 out of the top 10 highly remunerated Directors feature in the Top 10 List during the all the 3 years. The list includes 4 Promoter Directors and 1 Non-Promoter Director (Mr. Chander P. Gurnani). Also, Mr. A M Naik of Larsen & Toubro and Mr. D B Gupta of Lupin feature in the list for 2 out of the 3 years.

7 out of the 10 Top Execute Directors in terms of remuneration are Promoters,



showing bias in remuneration practice at micro level.

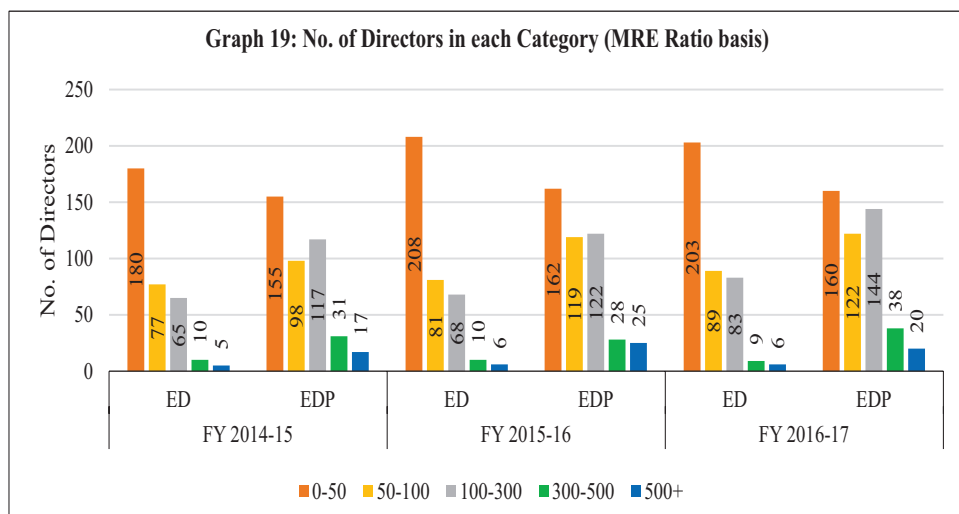
Graph 18, indicates average of EDs, Promoter and Non-Promoters and the ratio of remuneration paid to Promoter EDs versus Non-Promoter ED in the Sample Companies during the past 3

years. it is observed that Promoter ED have consistently paid higher remuneration compared with the Non-Promoter Counterparts, the gap increased between 2014-15 to 2015-16, but dipped next year in 2016-17 to almost reach at the same ratio.

Executive Remuneration vis-à-vis 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.

The Companies which have not disclosed the ratio of the Directors’ remuneration to the MRE have been excluded from our analysis. Graph 19 displays analysis for three years, bucketing the data into ED-Promoters and Non-Promoters across three years. Data has been further bucketed in various ranges of Remuneration to Median multiple.



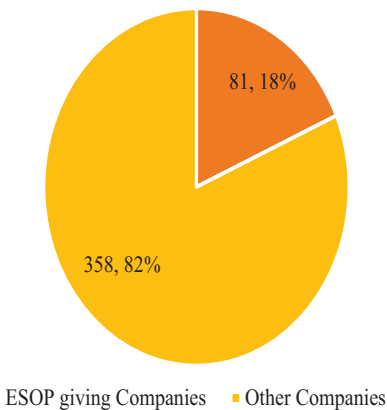
It can be observed that in higher multiples range there are more EDPs in all 3 years compared to ED Non-Promoter. However, in the 0-50 multiple category, there are more EDs Non- Promoters than EDP in all 3 years. The picture gets much clearer in Table 42.

Median	FY 2014-15		FY 2015-16		FY 2016-17			
	ED-NP	EDP	ED-NP	EDP	ED-NP		EDP	
	Number	Number	Number	Number	Number	%	Number	%
0-50	180	155	208	162	203	52%	160	33%
50-100	77	98	81	119	89	23%	122	25%
100-300	65	117	68	122	83	21%	144	30%
300-500	10	31	10	28	9	2%	38	8%
500+	5	17	6	25	6	2%	20	4%
Total	337	418	373	456	390	100%	484	100%
ND / NA	91	118	59	98	65		84	

Examining the pattern for 2016-17, it is clearly seen that in higher multiple of executive remuneration to Median pay, there are more promoter EDs compared to Non-Promoter EDs. In the 300+ multiple category there are only 15 EDs (NP) vs 58 ED Ps, in % terms 4% EDs vs 12% EDPs.

Employee Stock Options Plans (ESOP)

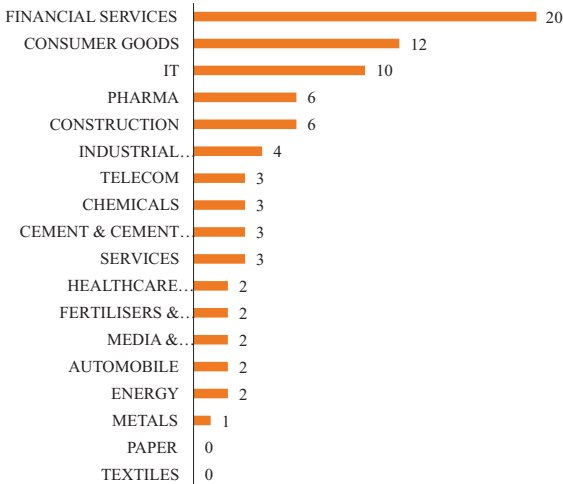
Graph 20: Companies granting ESOPs to EDs during FY 2016-17



ESOPs are an ideal way of linking the interest of the employee with that of the Company. Data on ESOPs granted by sample companies was analysed. Graph xx, indicates that out of the 480 Companies in Sample for FY 2016-17, only 81 Companies have granted Stock Options to their Executive Directors during FY 2016-17. This is less than 1/5th of the total Sample Companies. While, the remaining Companies either do not have any

ESOP scheme or have not granted any stock options to their Executive Directors in the year 2016-17.

Graph 21: Companies where ESOPs are given to EDs during FY 2016-17



Graph 21, gives a broad distribution of companies that granted ESOPs into various industries to its EDs during FY 2016-17. Highest number of ESOPs granting companies belong to Financial Services Sector where 20 companies out of a total of 57 have granted Stock Options to their ED during FY 2016-17. Further, 12 out of 40 Companies in Consumer goods, have also granted stock options to their ED during the same period.

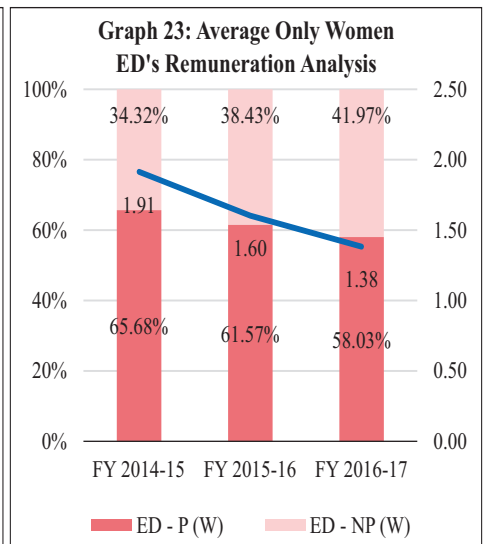
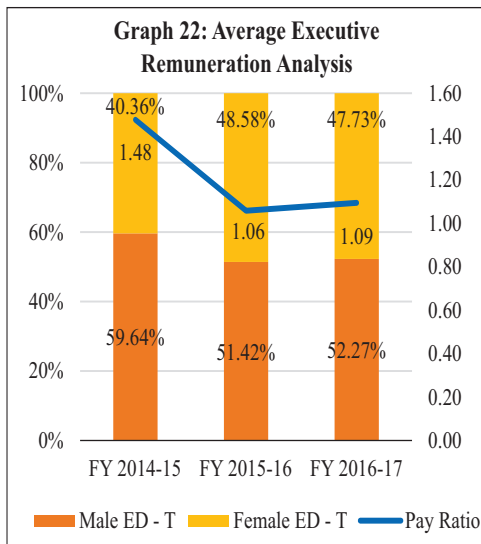
While, Companies in Paper and Textile have not granted any stock options to their EDs, only 1 Company out of 20 in metals industry has granted ESOPs to their EDs. Highest percentage Companies granting ESOP to EDs during FY 2016-17 is observed in Financial Services, IT, Health Care and Telecom. A broad number of Companies in each industry is provided in (Annexure II) with this report.

Executive remuneration- Gender Bias

Table 43 details category wise distribution of women directors in our sample companies across three years. While number of women directors increased from 461 in 2014-15 to 534 in 2016-17, maximum increase in numbers was in ID category. In % terms maximum increase was 36% in ED category, although very small in absolute terms.

Category	Total no Women Directors			Percentage wise	
	2016-17	2015-16	2014-15	2016-17 over 2015-16	2015-16 over 2014-15
ED-NP	19	14	15	36%	-7%
EDP	62	57	53	9%	8%
NED-NP	41	33	35	24%	-6%
NEDP	84	85	73	-1%	16%
ID	328	289	285	13%	1%
Total	534	478	461	12%	4%

The question that comes to mind, whether acceptance of mandate of minimum one-woman director in every board has also led to removal of discrimination in remuneration? Graph 22, indicates that ratio of remuneration of Executive Directors (both Promoter and Non-Promoter) of male directors vis-à-vis female directors during past 3 years. While, Graph 22 depicts the Executive remuneration on the basis of gender, while Graph 23, depicts intra-women Executive Director remuneration on the basis of Promoter and Non-Promoter.



It can be seen that gender bias for equal remuneration is coming down, while in 2014-15 ratio of male and female ED remuneration was 1.48 (male getting on an average 48% more remuneration) this ratio reduced to 1.09, indicating a marked progress in removing gender bias.

While the gender bias seems to have been reduced at least from average amount basis, further analysis has been done on bias within women category between promoter and non-promoter. It can be seen that within women category large divergence was there in 2014-15 between promoter and non-promoter category. The ratio stood at 1.91 in favour of promoter women. This ratio has come down to 1.38 in 2016-17, reflecting a marked improvement.

This analysis raises a question. Was there at all any bias on remuneration based on gender? As one can see even between women itself there was a bias against non-promoter women, therefore even in totality the reason for difference could have emanated for difference between promoter and non-promoter?

The data has been further tabulated in Table 44 & 45 and conveys the same result as shown in graph 22 & 23

Table 44: Average Remuneration pay to ED Male vs ED Females (Total EDs)						
(in ₹ lakhs)	FY 2014-15		FY 2015-16		FY 2016-17	
	ED (M)	ED (F)	ED (M)	ED (F)	ED (M)	ED (F)
Fixed Pay	240.44	126.92	218.92	179.56	270.62	226.93
Variable Pay	137.33	128.69	168.41	186.40	238.84	238.36
Total	377.77	255.62	387.34	365.96	509.45	465.29

Table 45: Average Remuneration pay to Women EDs						
(in ₹ lakhs)	FY 2014-15		FY 2015-16		FY 2016-17	
	ED – NP (W)	EDP (W)	ED – NP (W)	EDP (W)	ED – NP (W)	EDP (W)
Fixed Pay	113.35	131.08	190.18	176.95	228.10	226.60
Variable Pay	37.05	156.78	56.51	218.31	130.35	268.93
Total	150.41	287.86	246.69	395.26	358.45	495.53

To evaluate whether there is any gender bias or not, top remunerated women data has been tabulated in Table 46, although to establish bias whether potential of actual, no further analysis was needed as in top 10 from each category, promoter and non-promoter EDs, there is only one woman.

Table 46: Women EDNPs who are getting remuneration above 5 Cr (FY 2016-17)					
Sr. No.	Director Name	Company Name	Total Pay (in Cr)	Total Board Remuneration (in Cr)	Net Profits (in Crores)
1	Renu Sud Karnad	Housing Development Finance Corporation Ltd	9.51	30.52	7,442.64
2	Chanda D. Kochhar	ICICI Bank Ltd	7.85	33.85	9,801.09
3	Shikha S. Sharma	Axis Bank Ltd	5.42	13.65	3,679.28
4	Vishakha V. Mulye	ICICI Bank Ltd	5.30	33.85	9,801.09
5	Ashu Suyash	CRISIL Ltd	5.14	6.43	255.65

Incidentally all the five-women director getting paid > Rs 5 Crore work in Financial sector and all are professional women directors and not Promoter women directors.

Table 47, 48 & 49 has details of companies which have maximum number of women director across three categories, ED, NED and IDs. Top companies have been listed in each category (criteria minimum 2 women directors). Apollo Hospitals is the only company with 4 women directors, all family members of promoters.

Table 47: No. of women Executive Directors			
Company Name	EDNP (W)	EDP(W)	ED(W)
Apollo Hospitals	0	4	4
Piramal Enterprises	0	2	2
ICICI Bank Ltd	2	0	2
Take Solutions Ltd	2	0	2
Sundram Fasteners	0	2	2
Bliss GVS Pharma	0	2	2
Heritage Foods Ltd	0	2	2
Vinati Organics Ltd	0	2	2

It can be seen that out of 8 companies having more than 2 women EDs, 6 have only promoter EDs and 2 have non-promoter EDs. Both these EDs are in Financial services or IT industry. Is it a case more of family adjustment/ compulsion rather than women empowerment?

Table 48: No. of Women Non-Executive Directors			
Company Name	NEDNP(W)	NEDP(W)	Total
Jindal Saw Ltd	0	2	2
Thermax Ltd	0	2	2
MRF Ltd	0	2	2
AIA Engineering Ltd	0	2	2
Kolte Patil Developers Ltd	0	2	2
BSE Ltd	2	0	2
Hindustan Zinc Ltd	2	0	2
Bharti Airtel Ltd	1	1	2
CCL Products (India) Ltd	1	1	2

Position in case of NED is no different from ED position, out of 9 companies having 2 or more women NED, 5 companies have only NEDP, 2 have only NEDNP and 2 have both NEDP and NEDNP, once again it doesn't appear to be a case of women empowerment.

Table 49: No. of Women Independent Directors

Company name	ID (W)
UltraTech Cement Ltd	3
Fortis Healthcare Ltd	3
Idea Cellular Ltd	3
Cipla Ltd	3
Titan Company Ltd	3
Infosys Ltd	3
Sudarshan Chemical Industries Ltd	2
SREI Infrastructure Finance Ltd	2

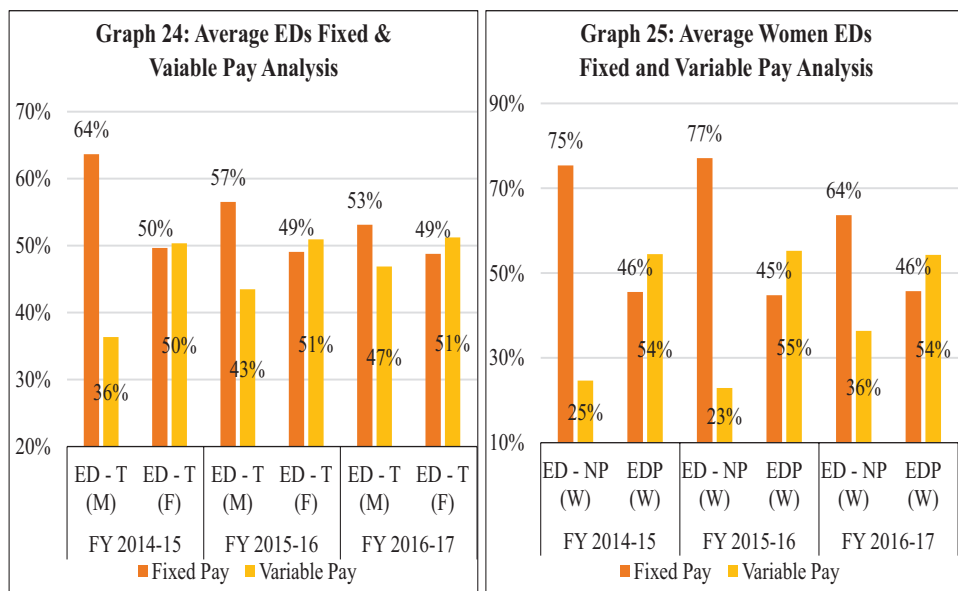
The data related to ID(W), has been clubbed with NED(W) as well. Out of 8 companies 6 have 3 women directors, who are not related to promoter.

Variable and Fixed Executive Remuneration (Gender Bias):

While, an overall Executive remuneration of male and female Directors has been analysed, it is felt equally important to consider the ED remuneration in light of fixed and variable pay in the Sample Companies during the past 3 years.

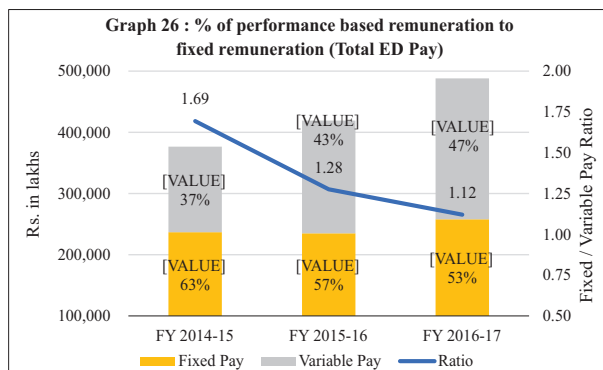
Graph 24 & 25, indicates that the proportion of fixed and variable pay for Male ED (both Promoter and Non-Promoter) is in the range of 60:40 in favour of fixed pay. 64% of male ED remuneration was fixed, while the same has decline to 54% during FY 2016-17, indicating that Companies have given more emphasis on performance link pay which is always better, since it is important to link the performance of the Company with the performance of the individual.

Interestingly, the bifurcation of ED remuneration in female category has stayed in a narrow range of almost 50:50 during the past 3 years. This means that while, 50% of the ED(W) remuneration is fixed, same proportion is paid by way of variable pay also.



Further it is observed that in women category difference between promoter and non-promoter category is very high, while in 2014-15 Non-Promoter ED women had 75% fixed pay her peer ED Promoter had only 46% remuneration as fixed. Over three-year period the gap has narrowed down marginally.

Variable and Fixed Executive Remuneration (Overall): There must be an optimum proportion of fixed and variable pay in the remuneration package of Executive Directors. While, the fixed remuneration provides the director a steady source of cash, variable component of the income must act as a driving force for the ED to step up the performance of the Company. This will only happen when there is appropriate balance between fixed and variable pay, with variable pay linked to the performance of the ED and the performance of the Company. Graph 26 indicates two components of Executive remuneration for last 3 years in the Sample Companies.



It is observed that the percentage of fixed pay has been reducing YoY. On average ED's remuneration in 2014-15 consisted of 63% of fixed pay during FY 2014-15, which has come down to 53% fixed in 2016-17. Does this mean that structural shift

has taken place in remuneration practice or is it a case of increased variable remuneration on account of more profits? Or is it a case of better performance of ED or indeed fixed remuneration has come down? Or is it a result of combination of all the factors? In the beginning it was seen that remuneration has not only kept pace with increase in profit but has exceeded the same. Therefore, it is more a case of almost stagnant (or marginally higher) fixed component in terms of total amount than actual reduction. On % terms ratio has come down because variable has increased much sharper. Fixed component increased by 9.3 % and variable component by 65% between 2014-15 & 2016-17. Taking into account inflation adjustment, it is clear that on the whole reliance on variable component has increased.

Executive Remuneration-Kotak Committee Recommendations:

Recommendation and rationale:

The Committee noted various cases of disproportionate payments made to executive promoter directors as compared to other executive directors. It is felt that this issue should be subjected to greater shareholder scrutiny. The Committee recommends that shareholder approval by special resolution should be required if the total remuneration paid:

- a) to a single executive promoter-director exceeds Rs. 5 crore or 2.5% of the net profit, whichever is higher; or
- b) to all executive promoter-directors exceeds 5% of the net profits.

It is clarified that net profits should be calculated under Section 198 of the Companies Act. The Committee also recommends that SEBI could review the status in future based on experience gained.

Sample data was analysed to find out how many companies/ directors would be affected if these recommendations were effective as on 31st March 2017. Table 50 maps the remuneration data of EDPs who would be breaching the limit.

Total ED Remuneration (Rs. in Lakhs)	EDPs (FY 2016-17)	
	No.	%
0-50	71	12.50%
50-100	49	8.63%
100-300	179	31.51%
300-500	108	19.01%
500-1,000	95	16.73%
1,000+	66	11.62%
Total	568	100.00%

It can be seen that almost 161 directors who were promoters in executive position were in receipt of remuneration in excess of Rs 5 crore i.e. breaching one condition. The next limit is 2.5% of Net Profit as per section 198 of

Companies Act 2013. A word of caution is added here, 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. Therefore, we have only taken top 10 cases at the most, leaving ample scope for marginal cases to be excluded.

Table 51	
Individual EDPs Remuneration as % of Net Profit	No. of EDPs with more than Rs. 5 crore remunerations
Loss Making	5
0-2.5%	64
2.50-5%	46
5-10%	41
10%+	5
Total	161

Table 51 gives distribution of these 161 directors according to profits and in what range the remuneration of these 161 EDs fall. In 97 out of 161 directors there is a likely breach of Kotak Committee recommendations, of which 5 EDPs are from loss making Companies and rest 92 being from profit making Companies and are paid more

than 2.5% pf profit to these EDPs.

Table 52, 53, 54, 55 & 56 has list of top 5 or top 10 directors either getting >2.5% of total Net Profit or All EDs getting >5% of net profit.

Table 52: Top 5 highest paid EDPs in terms of % of net profit greater than 10%				
Name of the Director	Name of the Company	Total Pay (Rs. in Lakhs)	Net Profit (Rs. in Lakhs)	% of Net Profit
Bhagirath C. Arya	JBF Industries Ltd	653	3,563	18.32%
Gautam H. Singhania	Raymond Ltd	585	3,383	17.29%
Jehangir N. Wadia	Bombay Dyeing & Manufacturing Company Ltd	575	4,171	13.79%
Pramod M. Chaudhari	Praj Industries Ltd	519	4,686	11.07%
Ashok K. Goel	Essel Propack Ltd	717	6,511	11.01%

Table 53: Top 10 highest paid EDPs in terms of absolute amount and % of net profit 2.50<%-5%

Name of the Director	Name of the Company	Total Pay (Rs. in Lakhs)	Net Profit (Rs. in Lakhs)	% of Net Profit
Murali K. Divi	Divis Laboratories Ltd	4,647	1,05,327	4.41%
Hari M. Bangur	Shree Cement Ltd	3,822	1,33,911	2.85%
Neeraj Kanwar	Apollo Tyres Ltd	3,089	80,276	3.85%
Rajiv A. Poddar	Balkrishna Industries Ltd	2,921	71,514	4.08%
Shri P. Oswal	Vardhman Textiles Ltd	2,666	1,00,159	2.66%
Chirayu R. Amin	Alembic Pharmaceuticals Ltd	2,050	43,063	4.76%
Pankaj R. Patel	Cadila Healthcare Ltd	1,800	66,190	2.72%
Babasaheb N. Kalyani	Bharat Forge Ltd.	1,509	58,508	2.58%
Venu Srinivasan	TVS Motor Company Ltd	1,448	55,808	2.59%
Anil Rai Gupta	Havells India Ltd	1,393	53,904	2.58%

Table 54: Top 10 highest paid EDPs in terms of absolute amount and % of net profit 5<%-10%

Name of the Director	Name of the Company	Total Pay (Rs. in Lakhs)	Net Profit (Rs. in Lakhs)	% of Net Profit
Kavery Kalanithi	Sun TV Network Ltd	6,479	97,941	7.96%
Kalanithi Maran	Sun TV Network Ltd	6,479	97,941	7.96%
Onkar S Kanwar	Apollo Tyres Ltd	3,360	80,276	5.70%
P. Rajha	The Ramco Cements Ltd	4,418	64,929	6.84%
Jayadev Galla	Amara Raja Batteries Ltd	3,566	47,849	7.96%
Arvind K. Poddar	Balkrishna Industries Ltd	3,000	71,514	5.05%
Raghupati Singhania	JK Tyre & Industries Ltd	1,200	33,213	5.13%
Indra K. Alluri	Avanti Feeds Ltd	1,282	19,533	7.91%
Rajnikant D. Shroff	UPL Ltd	650	24,500	6.23%
N. Srinivasan	India Cements Ltd.	400	17,335	7.59%

Table 55: Top 10 Companies EDPs Remuneration in absolute amount and percentage of net profit >10%

Name of the Company	Total Promoter Rem. (Rs. in Lakhs)	Net Profit (Rs. in Lakhs)	% of Net Profit
Sun TV Network Ltd	15,703	97,941	15.91%
Alembic Pharmaceuticals Ltd	4,641	43,063	10.10%
JK Tyre & Industries Ltd	4,110	33,213	11.10%
K P R Mill Ltd	2,742	23,842	11.46%
Avanti Feeds Ltd	2,658	19,533	13.61%
IRB Infrastructure Developers Ltd	2,630	20,324	11.44%
J B Chemicals & Pharmaceuticals Ltd	2,352	17,296	12.77%
Granules India Ltd	2,104	14,283	14.32%
HSIL Ltd	2,005	10,301	19.47%
Escorts Ltd	1,982	16,044	12.36%

Table 56: Top 10 Companies EDPs Remuneration absolute amount & percentage of net profit <10% but >5%

Name of the Company	Total Promoter Rem. (Rs. in Lakhs)	Net Profit (Rs. in Lakhs)	% of Net Profit
Divis Laboratories Ltd	8,875	1,05,327	6.13%
Apollo Tyres Ltd	7,663	80,276	9.55%
Balkrishna Industries Ltd	6,580	71,514	9.13%
The Ramco Cements Ltd	4,449	64,929	6.85%
Amara Raja Batteries Ltd	3,806	47,849	7.96%
Sundram Fasteners Ltd	3,154	31,548	10.00%
Apollo Hospitals Enterprise Ltd	2,757	28,515	9.67%
Supreme Industries Ltd	2,443	37,930	6.44%
Dilip Buildcon Ltd	2,280	36,094	6.32%
Arvind Ltd	1,966	27,088	5.44%

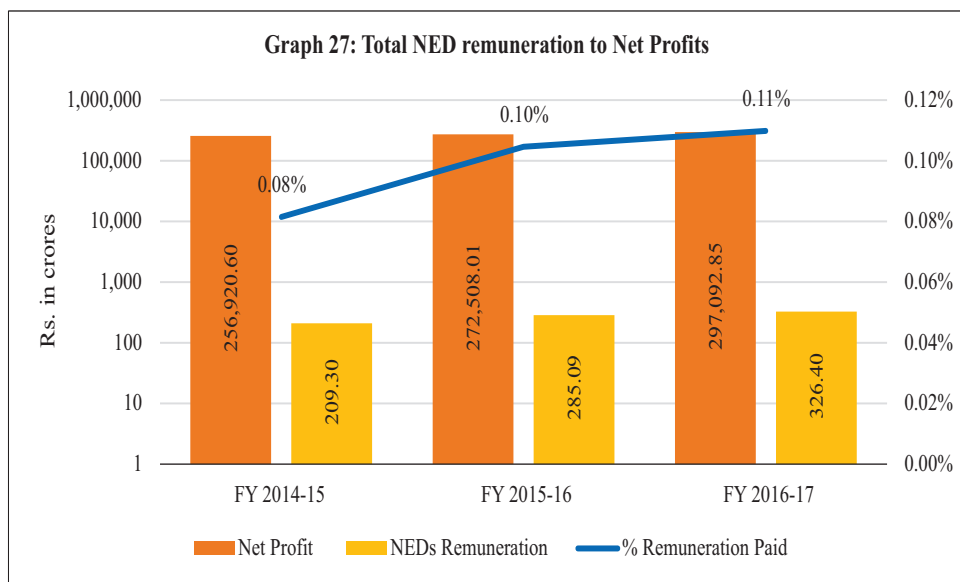
NON-EXECUTIVE DIRECTOR REMUNERATION ANALYSIS

A Non-Executive Director (‘NED’) by definition, while being a member of Board of directors, do not engage in the day-to-day management yet plays a vital role in policy making and strategic guidance. An 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 ‘NED’) in the Sample Companies for past 3 years.

By law, NEDs are paid remuneration by way of sitting fee and also commission. A small number of companies do engage NEDs in consulting work as well.

Non-Executive Remuneration Vs. Net Profits

Graph 27 indicates the relative position of NED remuneration of the Sample Companies vis-à-vis the Standalone Net Profits for the past 3 years. It can be observed that the NED remuneration during FY 2014-15 stood at 0.08% of the entire Standalone Net Profits of the Sample Companies. Further, during FY 2015-16 and FY 2016-17, the same stood at 0.10% and 0.11% respectively, indicating that NED remuneration has grown in line with the Net Profits of the Sample Companies during these 2 years.



Note: The above chart excludes NEDs who were paid for executive role for part of the financial year.

The above remuneration being negligible compared with the Net Profits of the Sample Companies during the past 3 years, does not give any insight and meaningful information. Further analysis of components of data gives little insight. Analysis was done to find top remunerated NEDs and lowest paid NEDs during the 3 year period.

Table 57, lists individuals who have received maximum remuneration during the past 3 years.

Director Name	Company Name	Fixed Pay (in ₹ lakhs)	Variable Pay (in ₹ lakhs)	Total Pay (in ₹ lakhs)	Total Board Remuneration (in ₹ lakhs)	% Board Remuneration
Sanjiv Goenka	CESC Ltd	16	2,331	2,347	2,789	84%
Galla R. Naidu	Amara Raja Batteries Ltd	-	2,283	2,283	6,119	37%
Kumar M. Birla	UltraTech Cement Ltd	2.5	2250	2,252	3,482	65%
Samprada Singh	Alkem Laboratories Limited	-	1,405	1,405	4132	34%
Ratan Jindal	Jindal Stainless (Hisar) Ltd	1	1,342	1,342	1,607	84%
Rajinder Gupta	Trident Ltd	3	1,300	1,303	1,521	86%
Sudhir U. Mehta	Torrent Pharmaceuticals Ltd	0	750	750	2,904	26%
Dheeraj G. Hinduja	Ashok Leyland Ltd	11.70	700	711	2,464	29%
Anil D. Ambani	Reliance Infrastructure Ltd	2.8	550	552	648.	85%
Harsh C. Mariwala	Marico Ltd	2.2	550	552	2,414	23%

All the top paid NEDs are promoters and have drawn remuneration which ranges from 23% of total board remuneration to high of 86% of board remuneration. Such remuneration statistics, puts to question meaning of word remuneration and is perhaps a challenge to really understand how the Board and Remuneration Committees of such companies are functioning? If it is assumed that remuneration in reality reflects exchange of money in fair manner for work, it amounts to one individual in non-executive position carrying out 86% of boards work, while more than half a dozen other directors including full time EDs are doing only 14% of job. And since it is not humanly possible, it points out a positive bias in favour of promoters and reflects lack of good governance practice.

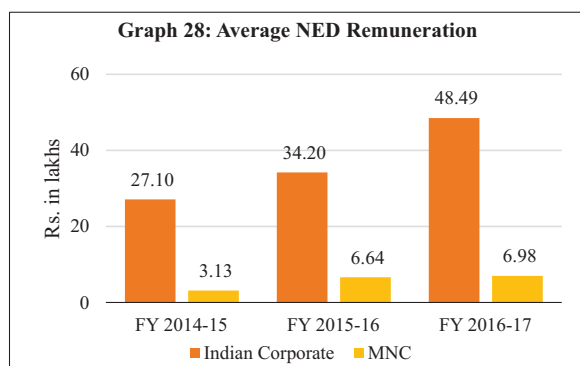
Table 58: List of Individuals who have received maximum remuneration during FY 2015-16						
Director Name	Company Name	Fixed Pay (in ₹ lakhs)	Variable Pay (in ₹ lakhs)	Total Pay (in ₹ lakhs)	Total Board Remuneration (in ₹ lakhs)	% Board Remuneration
Galla R. Naidu	Amara Raja Batteries Ltd	-	2,355	2,355	4,193	56%
Sanjiv Goenka	CESC Ltd	13	2,323	2,336	2,655	88%
Kumar M. Birla	UltraTech Cement Ltd	3.1	1,904	1,907	3,417	56%
Kumar M. Birla	Idea Cellular Ltd	3.1	1,316	1,319	2,438	54%
Samprada Singh	Alkem Laboratories Limited	-	1,260	1,260	3,472	36%
Sudhir U. Mehta	Torrent Pharmaceuticals Ltd	-	1,000	1,000	3,468	29%
Balkrishan G. Goenka	Welspun India Ltd	-	840	840	2,867	29%
Rajinder Gupta	Trident Ltd	3.5	810	814	941	86%
Harsh V. Goenka	CEAT Ltd	4.5	571	576	1,211	48%
Anil D. Ambani	Reliance Infrastructure Ltd	2.8	550	553	654	85%

Table 59: List of Individuals who have received maximum remuneration during FY 2014-15						
Director Name	Company Name	Fixed Pay (in ₹ lakhs)	Variable Pay (in ₹ lakhs)	Total Pay (in ₹ lakhs)	Total Board Remuneration (in ₹ lakhs)	% Board Remuneration
Galla Ramachandra	Amara Raja Batteries	-	2,015.90	2,015.90	5,401.70	37%
Kumar M. Birla	UltraTech Cement Ltd	3	1,904.00	1,907.00	3,120.20	61%
	Idea Cellular Ltd	1.11	1,335.00	1,336.11	2,403.20	56%
Balkrishan Goenka	Welspun India Ltd	-	711.33	711.33	2,481.25	29%
Anil D. Ambani	Reliance Infrastructure	2.8	550	552.8	627.4	88%
Sudhir Mehta	Torrent Pharma	-	500	500	2,095.52	24%
Harsh V. Goenka	CEAT Ltd	3.95	415.4	419.35	1,050.72	40%
Gautam Thapar	Crompton Greaves	2.8	395.58	398.38	1,274.66	31%
Nusli N. Wadia	Britannia Industries	1.6	366.69	368.29	1045.84	35%
Kumar M. Birla	Hindalco Industries	1	349.81	350.81	3795.45	9%

The table 60 maps out 10 top paid NEDs of 2016-17 and with previous year's top 10 NEDs

Sr. No.	Directors (List as per FY 2016-17)	Company	2016-17	2015-16	2014-15
1	Sanjiv Goenka	CESC Ltd	Yes	Yes	No
2	Galla R. Naidu	Amara Raja Batteries Ltd	Yes	Yes	Yes
3	Kumar M. Birla	UltraTech Cement Ltd	Yes	Yes	Yes
4	Samprada Singh	Alkem Laboratories Limited	Yes	Yes	No
5	Ratan Jindal	Jindal Stainless (Hisar) Ltd	Yes	No	No
6	Rajinder Gupta	Trident Ltd	Yes	Yes	No
7	Sudhir U. Mehta	Torrent Pharmaceuticals Ltd	Yes	Yes	No
8	Dheeraj G. Hinduja	Ashok Leyland Ltd	Yes	No	No
9	Anil D. Ambani	Reliance Infrastructure Ltd	Yes	Yes	Yes
10	Harsh C. Mariwala	Marico Ltd	Yes	No	No

3 out of the top 10 highly remunerated Non-Executive Directors feature in the Top 10 List during the all the 3 years. All these 3 are Promoter Directors viz., Mr. Galla Ramachandra Naidu of Amara Raja Batteries, Kumar Mangalam Birla of Ultratech and Mr. Sudhir Mehta of Torrent Pharmaceuticals. 4 NEDs in this list feature twice. These are Mr. Sanjiv Goenka of CESC Ltd, Mrs. Samprada Singh of Alkem Laboratories, Mr. Rajinder Gupta of Trident and Mr. Anil Ambani of Reliance infrastructure. All 10 highest paid NEDs, as expected are promoters in all the three years. Sanjeev Goenka, Rajinder Gupta and Anil D Ambani have got almost 80% + of total board remuneration although being non-executive position holders.

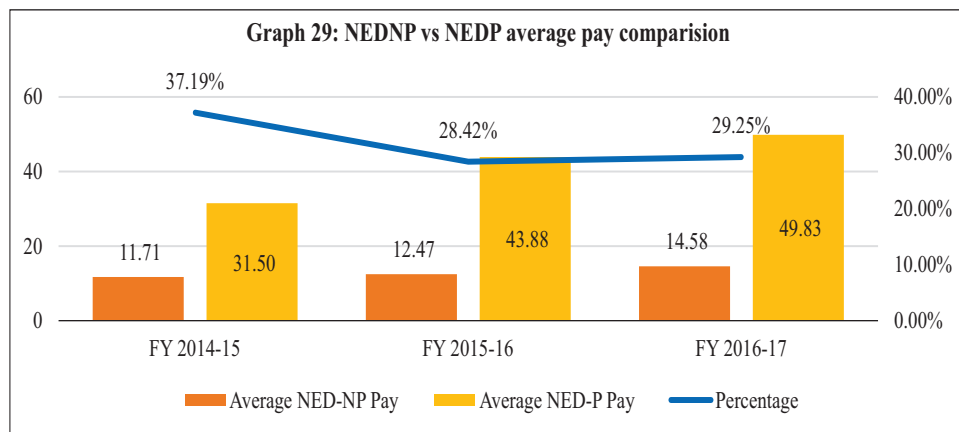


Since, all the 10 Top Non-Executive Directors in terms of remuneration are promoter owners of Indian Corporates, therefore, it may be pertinent to understand the remuneration pattern across Indian Corporates, MNCs. Graph 28, depicts average NED remuneration paid to directors

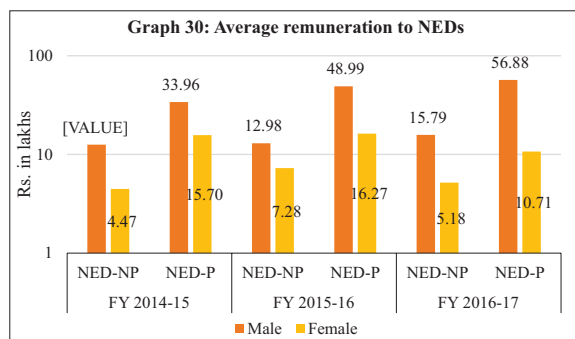
in different Companies in the sample for 3 years. As expected, Indian Corporates have been paying highest remuneration to the NEDs during all the 3 years. Average NED remuneration in MNC during FY 2016-17 stood almost 1/7th at ₹6.98 lakhs compared to the approx. ₹ 48.50 lakhs for the Indian Corporate NEDs

Since top 10 NED remuneration comprises of Promoters directors and Indian Companies NEDs get almost 7 times more than MNCs NEDs, further analysis of remuneration difference between the Promoter NEDs and Non-Promoter NEDs is done.

Graph 29, depicts that average remuneration paid to Promoter NED stood at Rs. 31.50 lakhs during FY 2014-15, which has increased to Rs. 49.83 lakhs in FY 2016-17. However, during the same period, remuneration for Non-Promoter NEDs has increased from Rs. 11.71 lakhs to Rs. 14.58 lakhs only. In other words, while the NEDNP remuneration during FY 2014-15 was almost at 37% of the NEDP remuneration, it has reduced to 29.25% during FY 2016-17.



While, the Graph 29, makes a comparison of NED remuneration on the basis of Promoter and Non-promoter, it may also be important to see the position of women directors in the Non-Executive Director space. Graph 30, indicates average remuneration paid to Non-Executive Directors (Promoter and Non-Promoter) on the basis of Gender.



Graph 30, indicates that the remuneration paid to NED male directors has been in excess of that of the female counterpart throughout the 3 years both in Promoter and Non-Promoter category. The average remuneration paid to women NEDPs has remained higher than Non-Promoter NEDs

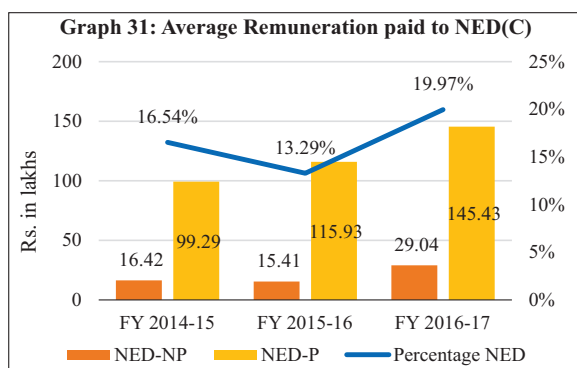
(both male and female). Does it indicate upper hand of Promoter male over promoter female and both non-promoter (male and female) directors? Also, is it

not an indication that bias is not on the basis of gender alone but on the basis of ownership as well?

Further, Non-Promoter NED woman remuneration was ₹5.18 lakhs during FY 2016-17 compared to ₹10.70 lakhs in the Promoter category.

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

Since, the Chairman of the Company is the head of the Board, it may also be pertinent to observe the remuneration pattern between Promoter and Non-Promoter Director within the Chairman space. In absolute terms, average remuneration of the Non-Promoter NED Chairman was in the ₹15-16 lakhs range during FY 2014-15 & FY 2015-16. However, during FY 2016-17, the same has almost doubled to ₹29.04 lakhs.



Average Promoter NED Chairman remuneration has witnessed steady growth during the past 3 years. While, the remuneration of Promoter NED Chairman was 99.29 lakhs during FY 2014-15, the same stands at just above ₹1.45 crores in FY 2016-17. Non-

Promoter NED chairperson on average gets only about 20% of what is paid to promoter chairman. At least on average basis it establishes bias.

NED Remuneration-Kotak Committee Recommendations:

- Recommendation and rationaleThe Committee deliberated upon managerial remuneration based on the data available and observed that certain non-executive directors (generally promoter directors) were receiving disproportionate remuneration from the total pool available vis-à-vis all other non-executive directors.
- Based on its deliberations, the Committee recommends that in case the remuneration of a single non-executive director exceeds 50% of the pool being distributed to the non-executive directors, shareholder approval should be required. However, it is clarified that the promoter should also be allowed to vote.

Sample data was analysed to find out how many companies/ directors would be affected if these recommendations were effective as on 31st March 2017. Table

61 maps the remuneration data of NEDs relative to total NED remuneration of the Board. For the purpose of explanation of this Table 61 and Table 62, NED includes ID and NEDNP.

Table 61:			
Individual Rem. as % of Total NED Remuneration	No. of Directors		
	NED (ID + NEDNP)	NEDP	Total
90-100%	4	8	12
80-90%	5	6	11
70-80%	3	7	10
60-70%	5	7	12
50-60%	5	2	7
40-50%	26	4	30
30-40%	138	7	145
20-30%	496	18	514
10-20%	971	131	1,102
>0-10%	705	191	896
0	175	169	344
Total	2,533	550	3,083

Note: Including few NEDs who were ED for part of the year

The data in Table 61 indicates that total 52 directors would be affected if the recommendations were in force, of these 52 directors 30 were promoter NEDs. In % terms about 5% of NEDP would be affected, against this only less than 1% of Non-Promoter NEDs would get impacted. The data has been further analysed to list out 5 top directors in different category.

Table 62 lists out directors, who have received maximum in percentage terms of total

NED remuneration and also more than 50% of total NED remuneration. It will be seen that there are three IDs. This indicates that on these board IDs have been discriminated as only these IDs on the Board have got almost entire NED remuneration. The largest company market cap wise in this category is Indiabulls Housing Finance Ltd whose ID Mr. Kamalesh S. Chakrabarty, former chairperson of Punjab National Bank and Ex Deputy Governor of RBI, was paid 85%+ of total NED remuneration. Other IDs who are colleague of Mr. Chakrabarty on the Board were paid a sum of Rs. 2-6 lacs, for the same job. It not only defies our definition of remuneration but also makes one wonder how can there be such wide gap and why there was discrimination

Table 62: Top 5 NEDs (NED-NP + IDs) as percentage of NEDs total remuneration					
Director Name	Company Name	SES Classification	Total Pay (in Lacs)	NED Total Remuneration (in lacs)	% of NED Total Remuneration
Naresh B. Wadhwa	Marksans Pharma Ltd	ID	0.25	0.25	100.00%
Kamalesh S. Chakrabarty	Indiabulls Housing Finance Ltd	ID	153.00	179.00	85.47%
Sanjay S. Majmudar	AIA Engineering Ltd	NID	16.00	19.50	82.05%
James A. Brooks	Prism Cement Ltd	ID	63.90	78.50	81.40%
B.M. Vyas	Parag Milk Foods Ltd	NED	96.00	122.00	78.69%

The Next Two Tables 63 & 64 lists out NEDs promoters with highest % of NEDs remuneration as also highest in absolute terms being in excess of 50% total NED remuneration,

Table 63: Top 5 NEDPs as percentage of NEDs total remuneration					
Director Name	Company Name	SES Classification	Total Pay (in Lacs)	NED Total Remuneration (in lacs)	% of NED Total Remuneration
Rajinder Gupta	Trident Ltd	NEDP	1,303	1,313	99.24%
Ratan Jindal	Jindal Stainless (Hisar) Ltd	NEDP	1,343	1,355	99.12%
Galla Ramachandra Naidu	Amara Raja Batteries Ltd	NEDP	2,284	2,309	98.90%
Sanjiv Goenka	CESC Ltd	NEDP	2,347	2,455	95.60%
Samprada Singh	Alkem Laboratories Limited	NEDP	1,405	1,477	95.13%

It can be seen that these 5 NEDP had more than 95%+ share of total NED remuneration. This indicates while one person got 95%+ rest board members had only 5% loose change to their account. How one can justify this as fair, good governance and in the interest of shareholders is anybody's guess. The picture and analysis are same in Table 64 as well

Table 64: Top 5 NEDPs in terms of highest paid NEDP with more than 50% of NED total remuneration				
Director Name	Company Name	Total Pay (in Lacs)	NED Total Remuneration (in lacs)	% of NED Total Remuneration
Sanjiv Goenka	CESC Ltd	2,347	2,455	95.60%
Galla Ramachandra Naidu	Amara Raja Batteries Ltd	2,284	2,309	98.90%
Kumar Mangalam Birla	UltraTech Cement Ltd	2,253	2,515	89.58%
Samprada Singh	Alkem Laboratories Limited	1,405	1,477	95.13%
Ratan Jindal	Jindal Stainless (Hisar) Ltd	1,343	1,355	99.12%

INDEPENDENT DIRECTORS REMUNERATION ANALYSIS

Independent Directors are expected to bring in his / her independent view and judgement at the Board level, so that operations of the Company are carried out in the best interest of all the stakeholders. With the Companies Act, 2013, the SEBI (LODR) Regulations, 2015, Kotak Committee recommendations etc., the responsibilities and liability of Independent Directors have increased.

Independent Directors including the members of the Audit Committee are the ones, who are put under the scanner in case of any controversy surrounding the Company. While, the expectation and responsibilities on the shoulders of Independent Directors has increased many folds, it is expected that they must be remunerated adequately and fairly.

Companies need competent IDs who can devote sufficient quality time to the Board of companies and contribute in effective way. Perception is that the IDs are not remunerated fairly. Regarding compensation of IDs Kotak Committee has recommended that

Therefore, in order to attract competent IDs on the boards of the listed entities, it is recommended that a listed entity may be required to pay certain minimum compensation to IDs as under:

- 1. The minimum total remuneration for an ID per year shall be Rs. 5 lakhs for top 500 companies by market capitalisation (subject to approvals as required under Companies Act). In case of inadequacy of profits, the minimum requirement of Rs. 5 lakhs shall not apply.*
- 2. The minimum sitting fees to be paid to IDs for every board meeting shall be:*
 - a. Rs. 50,000 for top 100 companies by market capitalisation;*
 - b. Rs. 25,000 for next 400 companies by market capitalisation.*
- 3. The minimum sitting fees to be paid to IDs for every audit committee meeting shall be:*
 - a. Rs. 40,000 for top 100 companies by market capitalisation;*
 - b. Rs. 20,000 for next 400 companies by market capitalisation.*

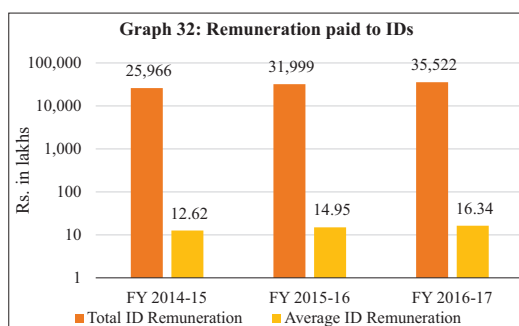
4. *The minimum sitting fees to be paid to IDs for every other board committee meeting (only for those committees which are mandatory under SEBI LODR Regulations) shall be:*

a. *Rs. 20,000 for top 100 companies by market capitalisation;*

b. *Rs. 10,000 for next 400 companies by market capitalisation.*

In view of the above recommendation it would be interesting and vital to know how India Inc has fared in this respect. Therefore, for sample company's remuneration of Independent Directors has been analysed.

Independent Directors can be paid sitting fee and profit based commission as per the provisions of the Companies Act, 2013. Graph 32, depicts consolidated remuneration outlay paid to Independent Directors of the Sample Companies during the past 3 years along with the average remuneration per ID.



It is not surprising to observe that, both the consolidated and the average remuneration of Independent Directors has experienced a steady growth during the past 3 years. While, the average ID remuneration during FY 2014-15 was ₹12.62 lakhs, the same, stands at ₹16.34 lakhs during FY 2016-17.

Therefore, at least on average basis India Inc has passed the test as average remuneration is well above minimum remuneration recommended by Kotak Committee.

Top 10 remunerated IDs for 2016-17, 2015-16 and 2014-15

Table 64: Top Remuneration IDs for FY 2016-17

Sr. No.	Director Name	Company Name	Chairman or not	Fixed Pay (in ₹ lakhs)	Variable Pay (in ₹ lakhs)	Total Pay (in ₹ lakhs)
1	Aman Mehta	Tata Consultancy Services Ltd	-	6.30	265	271.30
2	William Owens	Wipro Ltd	-	2.80	199.74	202.54
3	Ron Sommer	Tata Consultancy Services Ltd	-	5.40	190.00	195.40
4	Seshasayee Ramaswami	Infosys Ltd	Chairman	-	195.00	195.00
5	Thyagarajan Venkatraman	Tata Consultancy Services Ltd	-	6.90	180.00	186.90
6	Om P. Bhatt	Tata Consultancy Services Ltd	-	7.50	170.00	177.50
7	Vijay L. Kelkar	Tata Consultancy Services Ltd	-	4.80	170.00	174.80
8	Yogendra P. Trivedi	Reliance Industries Ltd	-	31.00	135.00	166.00
9	Adil Zainulbhai	Reliance Industries Ltd	-	26.00	135.00	161.00
10	Bernardus J. Verwaayen	Bharti Airtel Ltd	-	4.00	155.61	159.61

Table 65: Top Remuneration IDs for FY 2015-16

Sr. No.	Director Name	Company Name	Chairman or not	Fixed Pay (in ₹ lakhs)	Variable Pay (in ₹ lakhs)	Total Pay (in ₹ lakhs)
1	T N Manoharan	Tech Mahindra Ltd	-	0	302	302
2	Ravindra K. Kulkarni	Tech Mahindra Ltd	-	0	277	277
3	Aman Mehta	Tata Consultancy Services Ltd	-	5.40	230	235
4	William Owens	Wipro Ltd	-	2.40	198	200
5	Kamalesh S. Chakrabarty	Indiabulls Housing Finance Ltd	-	0	190	190
6	Seshasayee R.	Infosys Ltd	Chairman	0	184	184
7	Ron Sommer	Tata Consultancy Services Ltd	-	4.80	170	175
8	M. Damodaran	Tech Mahindra Ltd	-	0	170	167
9	Bernardus J. Verwaayen	Bharti Airtel Ltd	-	5.00	167	172
10	T. Venkatraman	Tata Consultancy Services Ltd	-	6.60	160	167

Table 66: Top Remuneration IDs for FY 2014-15

Sr. No.	Director Name	Company Name	Chairman or not	Fixed Pay (in ₹ lakhs)	Variable Pay (in ₹ lakhs)	Total Pay (in ₹ lakhs)
1	Aman Mehta	Tata Consultancy Services Ltd	-	1.500	250	251.50
2	Bernardus J. Verwaayen	Bharti Airtel Ltd	-	7.000	241.90	248.90
3	M. Damodaran	Tech Mahindra Ltd	-	-	205.70	205.70
4	K.V. Kamath	Infosys Ltd	Chairman	-	197.00	197.00
5	Ron Sommer	Tata Consultancy Services Ltd	-	1.400	190	191.40
6	Thyagarajan Venkatraman	Tata Consultancy Services Ltd	-	1.900	185	186.90
7	Albert Hieronimus	Mindtree Ltd	-	96.566	76.41	172.98
8	Clayton M. Christensen	Tata Consultancy Services Ltd	-	0.300	155	155.30
9	William Arthur Owens	Wipro Ltd	-	2.196	150.58	152.78
10	Vijay Laxman Kelkar	Tata Consultancy Services Ltd	-	1.400	140	141.40

The table 67 lists whether these top 10 paid IDs of 2016-17, whether this elite group feature in the list in 2015-16 and 2014-15 or not.

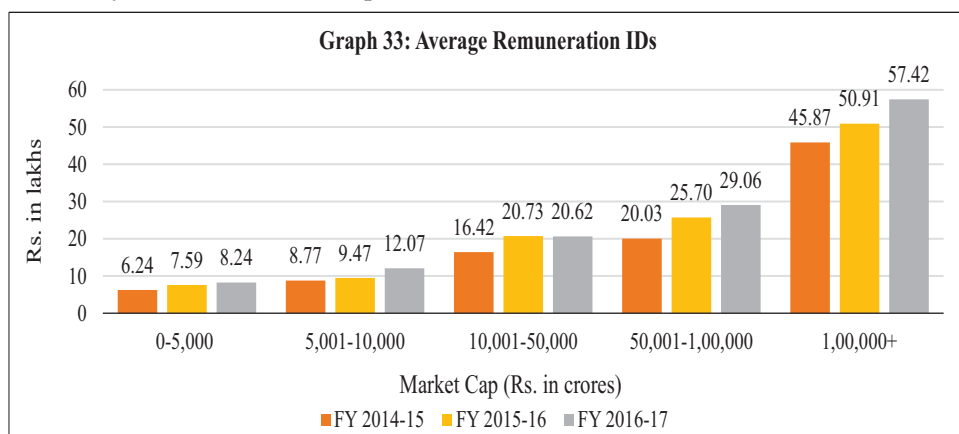
Table 67

Sr. No.	Directors	Company	2016-17	2015-16	2014-15
1	Aman Mehta	Tata Consultancy Services Ltd	Yes	Yes	Yes
2	William Owens	Wipro Ltd	Yes	Yes	Yes
3	Ron Sommer	Tata Consultancy Services Ltd	Yes	Yes	Yes
4	Seshasayee Ramaswami	Infosys Ltd	Yes	Yes	No
5	Thyagarajan Venkatraman	Tata Consultancy Services Ltd	Yes	Yes	Yes
6	Om P. Bhatt	Tata Consultancy Services Ltd	Yes	No	No
7	Vijay L. Kelkar	Tata Consultancy Services Ltd	Yes	No	Yes
8	Yogendra P. Trivedi	Reliance Industries Ltd	Yes	No	No
9	Adil Zainulbhai	Reliance Industries Ltd	Yes	No	No
10	Bernardus J. Verwaayen	Bharti Airtel Ltd	Yes	Yes	Yes

5 out of the top 10 remunerated Independent Directors feature in the top 10 list of Sample Companies for all 3 years. Mr. Vijay Kelkar was in this group for two years list. Also, all the Independent Directors in the above Table are members of the Board except for Mr. Seshasayee R, during FY 2015-16 & 2016-17 and Mr. K V Kamath for FY 2014-15. Both were Chairman of Infosys Ltd.

Since, the Companies featuring in the above list are large caps, therefore, it becomes important to analyse remuneration data of Independent Directors as per Market Cap. Graph 33, indicates that remuneration paid to Independent Directors co-related to the size of the Company in terms of market Capitalisation. While the average remuneration paid to Independent Directors in a Company having market Cap of up-to ₹ 5,000 Crores was ₹ 8 lakhs per annum, the same stands at almost ₹ 51 lakhs for a Company having market cap of more than ₹1 lakhs crores.

The results indicated by the graph is in line with expectation. Further, a larger Company may rope in Independent Directors of highest professional nature to attain the best services and can perhaps shed out more bucks for the same. The same may not be true for Companies of much smaller size.



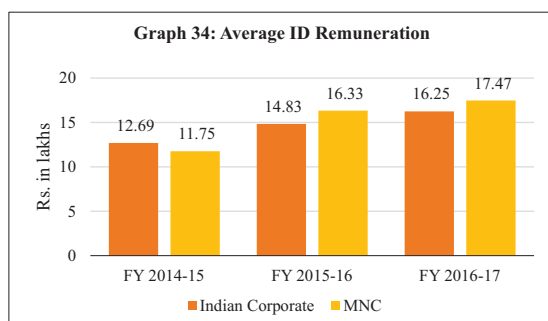
The results reveal that even in the bottom end of spectrum average remuneration is above Rs. 5.00 Lac and Kotak committee recommendations would have no impact on these companies. Once again these are averages, and in the data many points could be below and above average.

To get to a better picture IDs remuneration was further categorised in a range and results are tabulated in Table 68

Table 68

Total ID Remuneration (in ₹ lakhs)	No. of Independent Directors			% of IDs		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
0-5	940	820	743	45.68%	38.30%	34.18%
5-10	376	385	346	18.27%	17.98%	15.92%
10-15	252	304	319	12.24%	14.20%	14.67%
15-50	403	522	644	19.58%	24.38%	29.62%
50-100	55	69	88	2.67%	3.22%	4.05%
100+	32	41	34	1.55%	1.91%	1.56%
Total	2,058	2,141	2,174	100%	100%	100%

This data reveals that in 2016-17, number of directors receiving remuneration below Rs.5 lakhs were 743 or about 34% of total IDs. This would mean that once Kotak Committee recommendations are accepted these directors would be paid more or the other way around such companies would have a higher outgo impact.



Further, it may also be pertinent to observe the remuneration pattern across Companies with different ownership patterns. Graph 34, indicates that MNCs are the Companies which have paid highest remuneration to IDs during FY 2015-16 & FY 2016-17. However, during FY 2014-15,

it was the Indian Corporates which were the highest paying Companies to their Independent Directors.

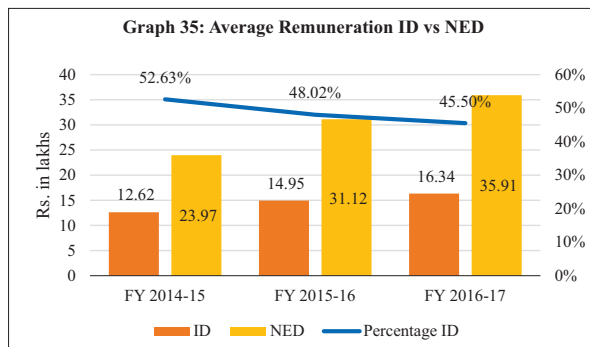
Further, remuneration pattern of both MNCs and Indian Corporates are almost similar with both paying almost similar amount of remuneration to IDs, on average basis.

Remuneration of Independent Director versus Non-Independent Non-Executive Director

Since, both the category of directors is involved in Non-Executive roles, therefore, a comparison between the remuneration practice may be worthwhile. Graph 35, indicates that the remuneration paid to NED has been consistently been much

higher than that paid to the IDs.

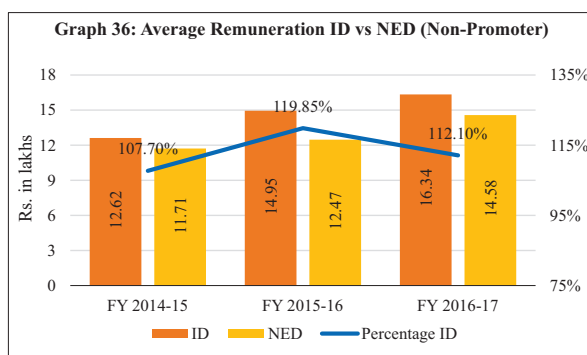
Further, the remuneration paid to NED has grown faster during the past 3 years as compared with the remuneration paid to IDs. While, an average ID remuneration stood at almost 53 % of the average NED remuneration during 2014-15, the same has decreased to only 45.50% during FY 2016-17.



This appears to be mainly on account of the fact that many promoters are NEDs in their predominantly owned companies and draw higher remuneration.

To verify this proposition, data related to Promoter EDs was removed and analysed.

Graph 36 represents the data and its analysis. The position changes drastically and one finds that there is not much difference in remuneration of IDs and NEDs Non-Promoters, on the contrary IDs are getting more remuneration compared to NEDs if promoter NEDs are removed.



Sitting fees paid to IDs:

There were 88 Independent Directors who did not receive sitting fees for the FY 2016-17 (excluding 18 IDs who were appointed during the financial year). These 88 IDs were directors in total 35 companies out of which only two were loss making companies (viz. Rattanindia Power Ltd and Intellect Design Arena Ltd.)

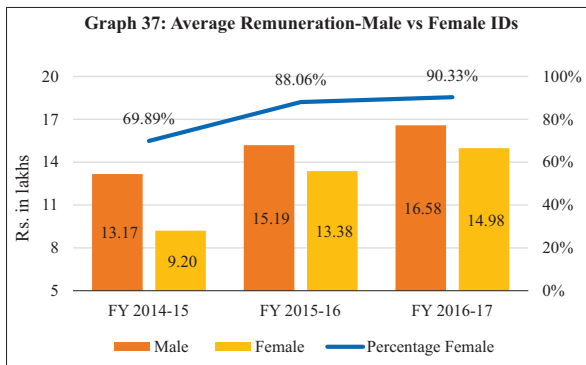
The following are top profit-making companies which do not pay any sitting fees to its non-executive directors (including IDs)

Table 69

Name of the Company	Net Profit (Rs. Crores)
Infosys Ltd	13,818
Tech Mahindra Ltd	3,047
Bharti Infratel Ltd	2,705
Dr Reddys Laboratories Ltd	1,384
Mphasis Ltd	625
Rajesh Exports Ltd	461
Cyient Ltd	237

Male vs Female IDs Remuneration:

While, the Companies Act, 2013 and the Listing Regulations have mandated a woman director on the Board of Listed Companies, the Kotak Committee on Corporate Governance has gone a step further and recommended induction of an Independent Director as a woman Director on the Board of all Listed Companies. In light of this, a remuneration comparison between female Independent Directors



and male Independent Directors may be pertinent. Graph 37, indicates that the average remuneration paid to female Independent director in Sample Companies during FY 2014-15 was 9.20 lakhs, which has risen to 14.98 lakhs during FY 2016-17. The increase in the remuneration

of woman independent director is higher than that of their male counterparts. While, the average remuneration of male IDs stood at almost 13 lakhs in FY 2014-15, the same increased to 16.58 during FY 2016-17. In other words, the gap between female and male remuneration is narrowing down, at least in the Independent Director space. The remuneration paid to women Independent Directors during FY 2014-15 comprised of around 70% of the male IDs' remuneration. The same has increased to almost 90% during FY 2016-17.

ANNEXURE I

List of 20 PSBs and 41 PSUs that form part of the NIFTY 500 as on 31st March, 2017 which have been excluded from Sample.

PSB		
S. No	Company Name	Entity Status
1	Allahabad Bank	Bank
2	Andhra Bank	Bank
3	Bank of Baroda	Bank
4	Bank of India	Bank
5	Canara Bank	Bank
6	Central Bank of India	Bank
7	Corporation Bank	Bank
8	Dena Bank	Bank
9	IDBI Bank Ltd	Company
10	Indian Bank	Bank
11	Indian Overseas Bank	Bank
12	Jammu & Kashmir Bank Ltd	Company
13	Oriental Bank of Commerce	Bank
14	Punjab National Bank	Bank
15	State Bank of India	Bank
16	Syndicate Bank	Bank
17	UCO Bank	Bank
18	Union Bank of India	Bank
19	United Bank of India	Bank
20	Vijaya Bank	Bank

PSU	
S. No.	Company Name
1	Balmer Lawrie & Company Ltd
2	BEML Ltd
3	Bharat Electronics Ltd
4	Bharat Heavy Electricals Ltd
5	Bharat Petroleum Corporation Ltd
6	Chennai Petroleum Corporation Ltd
7	Coal India Ltd
8	Container Corporation of India Ltd
9	Dredging Corporation of India Ltd
10	Engineers India Ltd
11	GAIL (India) Ltd
12	Gujarat Gas Ltd
13	Gujarat Mineral Development Corporation Ltd
14	Gujarat State Petronet Ltd
15	Hindustan Copper Ltd
16	Hindustan Petroleum Corporation Ltd
17	IFCI Ltd
18	India Tourism Development Corporation Ltd
19	Indian Oil Corporation Ltd
20	ITI Ltd
21	Mahanagar Telephone Nigam Ltd
22	Mangalore Refinery and Petrochemicals Ltd
23	MMTC Ltd
24	MOIL Ltd
25	National Aluminium Company Ltd
26	National Fertilizer Ltd
27	NBCC (India) Ltd
28	NHPC Ltd
29	NLC India Ltd
30	NMDC Ltd
31	NTPC Ltd
32	Oil & Natural Gas Corporation Ltd
33	Oil India Ltd
34	Power Finance Corporation Ltd
35	Power Grid Corporation of India Ltd
36	Rashtriya Chemicals & Fertilizers Ltd
37	Rural Electrification Corporation Ltd
38	Shipping Corporation of India Ltd
39	SJVN Ltd
40	Steel Authority of India Ltd
41	Tamil Nadu Newsprint & Papers Ltd

ANNEXURE II

List of Companies (FY 2016-17) as per Industry wise:

Industry / Sector	Total No. of Companies
Consumer Goods	70
Financial Services	54
Industrial Manufacturing	39
Construction	37
Pharma	36
Energy	21
IT	30
Services	23
Automobile	27
Metals	13
Cement & Cement Products	16
Media & Entertainment	16
Chemicals	16
Textiles	16
Fertilisers & Pesticides	10
Telecom	8
Healthcare Services	6
Paper	1

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