



# Managerial Remuneration

Including trends in leading companies

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# Agenda

- 01 Components
- 02 Applicable Provisions
- 03 Recent Amendments
- 04 Trends in leading Companies

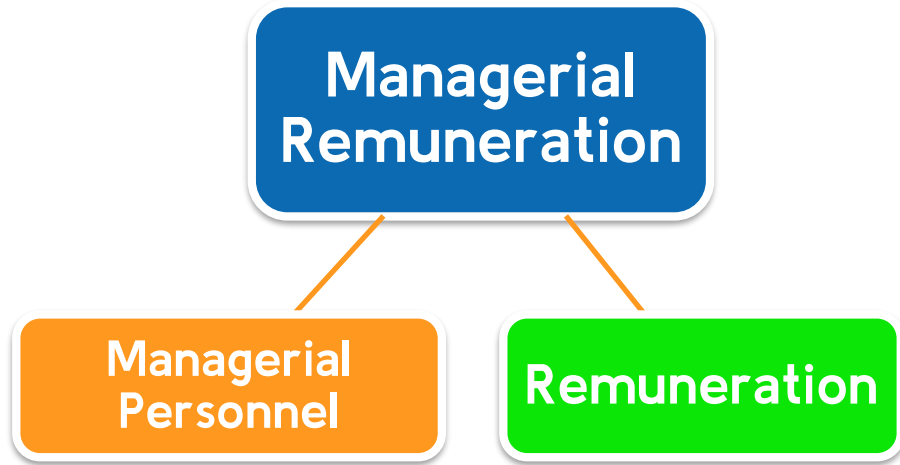




# Components

Basic Concepts





# Managerial Personnel

## Managing Director

- Virtue of AOA or agreement or resolution;
- Substantial power of management;

## Whole time director

- Whole time employment of the company.

## Manager

- Subject to the superintendence, control and direction of the BOD, has the management of the whole, or substantially the whole, of the affairs of a company.

# Remuneration

Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

Accordingly, Managerial Remuneration would mean 'remuneration' paid to MP (MD/WTD /Manager).

# Applicable Provision

Walk-through



# Applicable Provisions

- ▶ Section 196 & 197 of Companies Act, 2013;
- ▶ Schedule V of Companies Act, 2013;
  - Part I: Conditions to be fulfilled for appointment;
  - Part II: Remuneration;
    - Section I: In case of profits;
    - Section II: In case of no profit/inadequate profit
- ▶ The net profits for the purposes of this section shall be computed in the manner referred to in Section 198 of Companies Act, 2013.





# Highlights of the Provisions

- ▶ No company shall appoint or employ at the same time a managing director and a manager.
- ▶ Appointment of a person who has attained the age of seventy years may be made by passing a special resolution in which case the explanatory statement annexed to the notice.
- ▶ If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without approval required under this section, he shall refund such sums to the company, within two years or such lesser period as may be allowed by the company, and until such sum is refunded, hold it in trust for the company.
- ▶ Every listed company shall disclose in the Board's report, the ratio of the remuneration of each director to the median employee's remuneration and such other details as may be prescribed.



# Highlights of the Provisions

- ▶ In any FY, a company has no profits or its profits are inadequate, the company shall not pay to its directors, including any MD, WTD, Manager or NEDs, including an independent director, by way of remuneration any sum exclusive of any fees payable to directors except in accordance with the provisions of Schedule V;
- ▶ Any director who is in receipt of any commission from the company and who is a MD or WTD of the company shall not be disqualified from receiving any remuneration or commission from any holding company or subsidiary company of such company subject to its disclosure by the company in the Board's report.
- ▶ Where an appointment of a MD or WTD or manager is not approved by the company at a general meeting, any act done by him before such approval shall not be deemed to be invalid.



# Illustrations

Particulars	Payment (%)	Within the prescribed limits
1 MD/WTD/Manager	5%	Yes
More than 1 MD/WTD/Manager	10%	Yes
To other NEDs in case Co has MD/WTD/Manager	NED-1% MD/WTD/Manager-10%	Yes
To other NEDs in case of no MD/WTD/Manager	3%	Yes

**Note:**

In case of SR passed, company may pay remuneration above 11% of the net profits of the Company.





# Recent Amendment

Gist of the amendment



# Gist of the Amendment

- ▶ Effective date of the amendment;
- ▶ Rationale behind the amendment;
- ▶ Proposed amendment to Section 149(9) and 197(3)
- ▶ Impact on private/public and unlisted companies;
- ▶ Actionable arising out of the amendments.





# Trends in leading Companies

“Money is like a sixth sense – you can’t make use  
of the other five without it.”

-William Somerset Maugham





Hindustan Unilever Limited



BAJAJ FINANCE LIMITED



## Trends in leading Companies

(Comparison based on diff. parameters, size, composition of perks and fixed pay, commission and fixed pay, etc.)

**Note:** The below data is based on the Annual Reports and Form MGT-7 available on the website of the companies.

# List of companies who have passed resolutions for payment in case of Inadequate Profits to NEDs

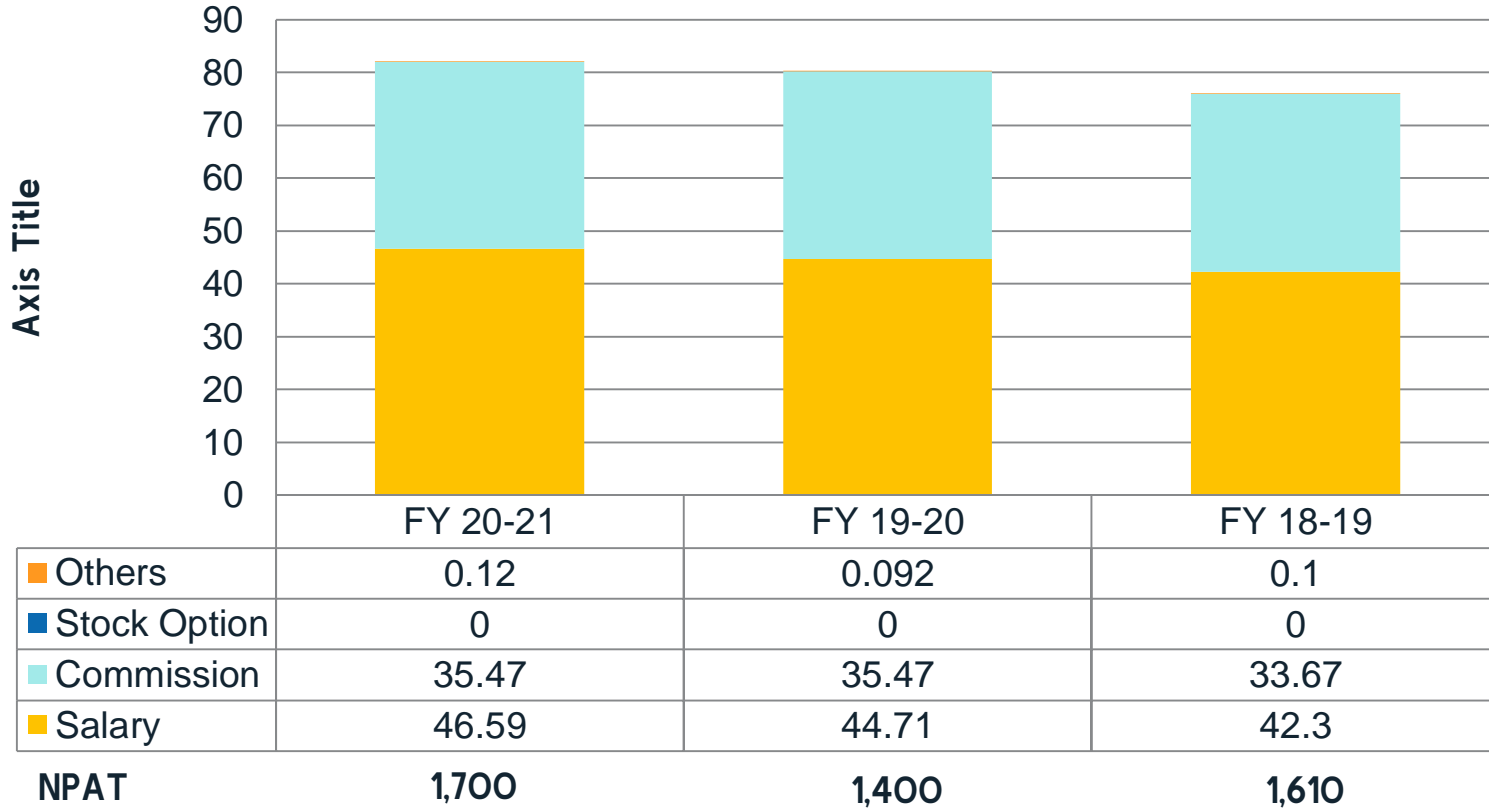
- ▶ Cosmo Films Limited;
- ▶ Mahindra Logistics Limited;
- ▶ ICICI Bank;
- ▶ Fullerton India Credit Company Limited;
- ▶ Greatship (India) Limited;
- ▶ Trent Limited;



# MRF: Remuneration of Directors and MP

Chart Title

Amt in Crs



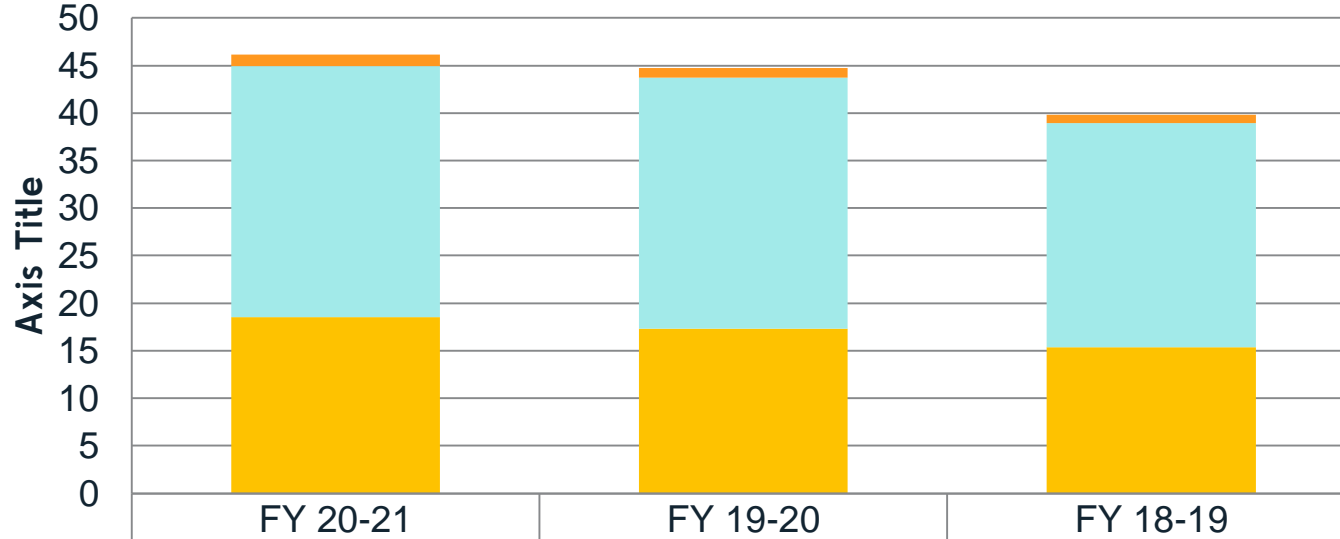
## Note/Analysis:

1. Mr. K M Mammen Chairman & Managing Director (Promoter Executive Director) gets approx 35.15% of total remuneration paid to MD/WTD/Manager;
2. There are no stock options in the Company;
3. Approx equal proportion of Salary and Commission is paid to MP and NEDs including IDs.

# HDFC Ltd: Remuneration of Directors and MP

Chart Title

Amt in Crs



Others	1.22	1.04	0.89
Stock Option	0	0	0
Commission	26.4	26.4	23.61
Salary	18.52	17.29	15.34

**NPAT**

**12,000**

**18,000**

**10,000**

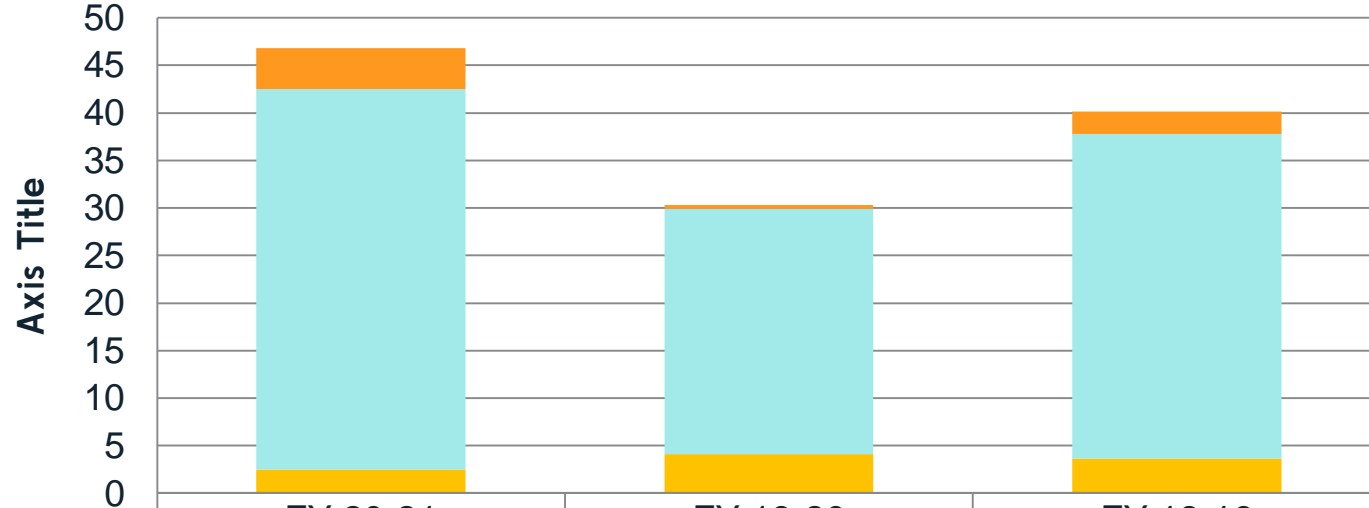
## Note/Analysis:

1. Commission constitutes a major component of the remuneration;
2. HDFC has stock option plan. The stock options granted to employees pursuant to the Corporation's stock option schemes are measured at fair value of the options at the grant date using Black-Scholes model. Hence, Stock options are always granted at the prevailing market prices and as such the intrinsic value of the options is NIL.
3. The payout of remuneration to directors of the Company is less as compared to other companies against the net profits earned by the Company.

# TCS: Remuneration of Directors and MP

Chart Title

Amt in Crs



Others	4.29	0.402	2.38
Stock Option	0	0	0
Commission	40	25.8	34.1
Salary	2.49	4.103	3.65

**NPAT**

**40,000**

**34,000**

**30,000**

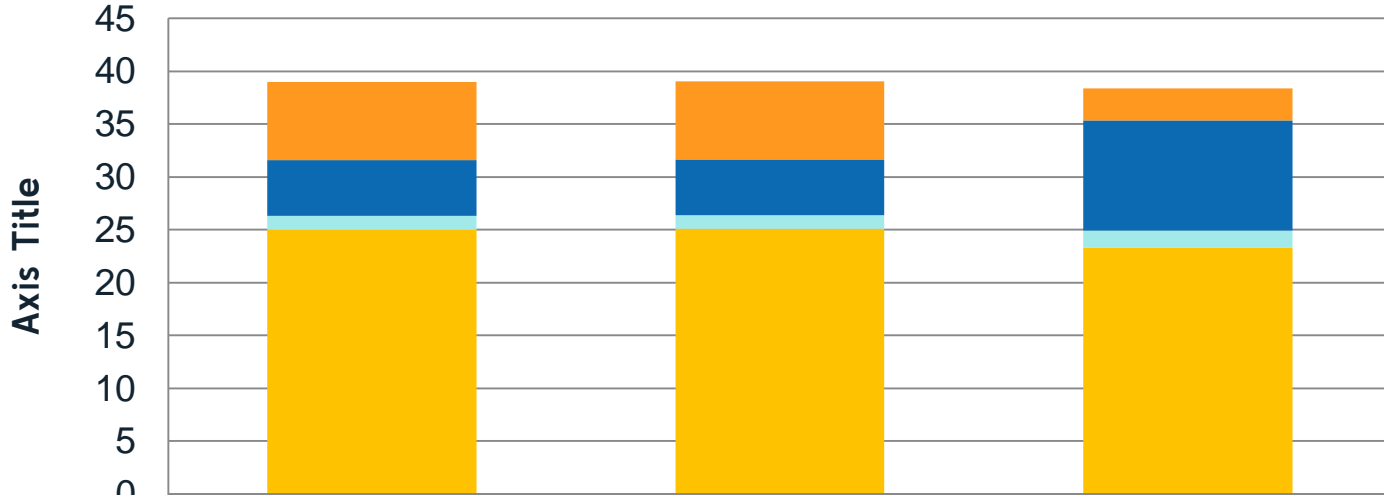
### **Note/Analysis:**

1. Commission constitutes the highest/major component of the remuneration;
2. Remuneration payout in the form of salary is very less as compared to other companies;
3. The Company does not have any Employee Stock Option Scheme;

# HUL: Remuneration of Directors and KMPs

Chart Title

Amt in Crs



	FY 20-21	FY 19-20	FY 18-19
Others	7.39	7.39	3.01
Stock Option	5.28	5.28	10.45
Commission	1.3	1.3	1.65
Salary	25	25.08	23.27

NPAT

8,000

7,000

7,000

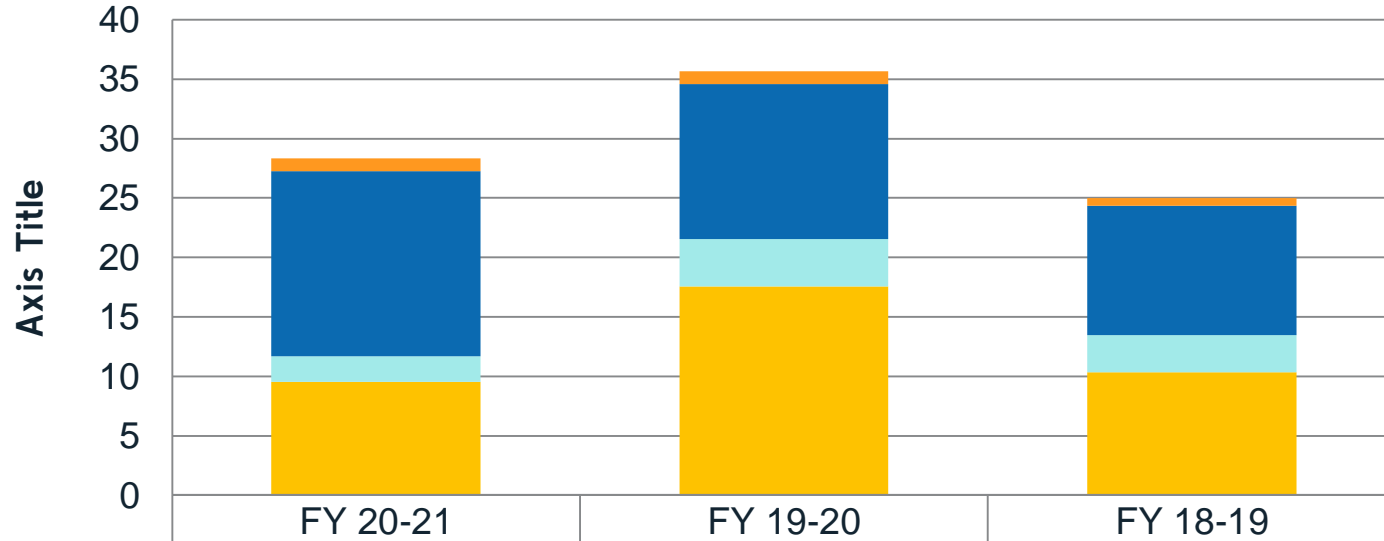
## Note/Analysis:

1. Salary constitutes the major component of the remuneration;
2. Under the equity settled share based payment, the fair value on the grant date of the awards given to employees is recognised as employee benefit expenses with a corresponding increase in equity over the vesting period. The fair value of the options at the grant date is calculated by an independent valuer basis Black Scholes model. At the end of each reporting period, apart from the non-market vesting condition, the expense is reviewed and adjusted to reflect changes to the level of options expected to vest. When the options are exercised, the Company issues fresh equity shares.



# Bajaj: Remuneration of Directors and KMPs

Chart Title



Others	1.08	1.08	0.65
Stock Option	15.56	13.05	10.91
Commission	2.16	3.96	3.1
Salary	9.53	17.57	10.35

**NPAT**

**4,000**

**5,000**

**4,000**

## Note/Analysis:

1. Stock Options constitutes the major component of the remuneration. Commission constitutes a very small proportion;
2. The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. The cost is recognised as employee benefits expenses/recharge receivables together with a corresponding increase in employee stock option outstanding account in other equity, over the period in which the service conditions are fulfilled.

**Thank You**

