



# **MD / CEO Compensation in India – Beyond the headlines**

August 2024

# About the Deloitte Nifty50 MD/CEO Pay analysis - 2024

- **Scope of the Study:** In this document, Deloitte has analyzed Nifty50 MD / CEO Pay Trends in India over FY 2022-23 and FY 2023-24.
- **Source of data:** Public disclosures (Annual Reports) and Deloitte analysis
- **Sample for the study:** Nifty50 companies (as on 8<sup>th</sup> August 2024) excluding PSUs and 3 other companies\* (N=41)
- **Incumbents considered / Type of MDs / CEOs covered:** Mix of **Promoters (N = 10) and Non-Promoter incumbents (N = 31)**
- **Other definitions:**
  - **TFP:** Total Fixed Pay – Includes gross salary, benefits, allowances, retiral benefits, perquisites (non-stock linked) etc.
  - **TCC:** Total Cost to Company – Includes total fixed pay and variable pay (bonus, commission, and performance-linked incentive etc.)
  - **TCC with LTI:** TCC including stock-based LTI on a **fair value basis**. Fair Value (computed using the option pricing model – typically Black-Scholes Model) is the total fair value of stock-awards granted within a financial year (we have not considered the realized value of stock awards as that’s misleading and not an accurate measure of annualized compensation)
  - **Pay-Mix:** % of total fixed pay, short-term annual variable pay and long-term incentives in the total compensation paid to an incumbent in a year
- **Analysis includes the following**
  - Profile of NIFTY50 companies (Revenue, Market Capitalization, Profit After Tax, Share Price and Employee Benefits Expense on a consolidated basis)
  - Time series trends on MD/CEO pay levels and pay-mix
  - Relationship between Company Size (as measured via Market Capitalization) and MD/CEO pay
  - MD/CEO pay and CEO Pay to Median Remuneration of Employee Ratios

*The below cases have been excluded from the study –*

- *Companies that do not have an MD/CEO incumbent currently*
- *MDs/CEOs that have voluntarily relinquished compensation*
- *MDs/CEOs that have been deputed by the holding company*
- *Where Executive Chairperson / Vice Chairperson and MD / CEO were different positions, we’ve considered the higher paid incumbent basis FY2023-24 data*

*Note: TCC including stock-based Long-Term Incentives (LTI) measured on a realized / reported value basis has been excluded from the analysis due to a potentially inaccurate representation of LTI awards granted to CEOs*

## Key highlights from the Deloitte India NIFTY50 MD/CEO Compensation Study - 2024

**Median Nifty50 CEO compensation has grown from INR 18.9 Cr. in FY2023 to INR 22.6 Cr. in FY2024; Y-o-Y growth in Nifty50 CEO compensation has been significantly powered by Non-Promoter CEOs' pay increase**

**Almost 1 in every 5 Nifty50 CEOs earned more than INR 50 Crores in FY2024**

**Total Pay-at-risk component within Nifty50 CEO pay-mix has gone up for non-promoter incumbents, while for promoter incumbents, a drop in profit-linked commission has resulted in a minor fall in variable pay**

**Total Pay of Non-Promoter CEOs rises with the size of the company as measured via Market Cap to an extent and then flattens; no such trend observed between Promoter CEO compensation and size of the company**

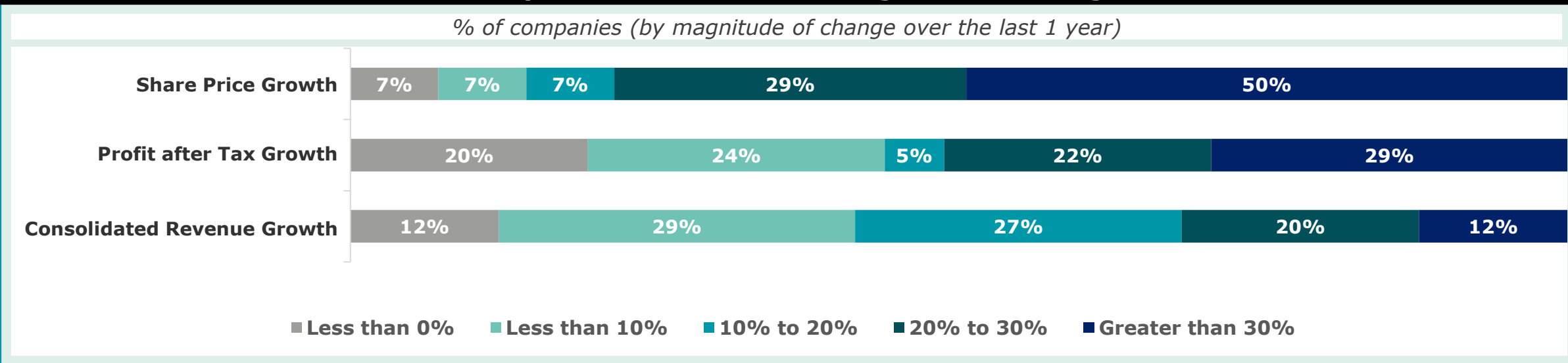
**CEO Pay in IT Services and Heavy Manufacturing companies continues to be the highest in India owing to their size, scale of operations as well as location of the CEO**

**Ratio of Nifty50 CEO Pay to Median Remuneration of Employees has increased to 290 from 263 (FY '23 vs '24)**

**At Median, each Nifty50 company considered had an approximate Market Cap of INR 3 lakh crores and share price growth had considerably outpaced the growth in Revenue and PAT for most companies**

Profile of Nifty50 Companies	Market Capitalization as on 8 <sup>th</sup> August 2024 (INR Cr.)	FY 2024 Consolidated Revenue (INR Cr.)	FY 2024 Consolidated Profit After Tax (PAT) (INR Cr.)
10th Percentile	116,843	19,166	1,600
<b>Median</b>	<b>293,802</b>	<b>71,525</b>	<b>8,558</b>
90th Percentile	731,021	225,271	26,248

**Almost half of the companies experienced a >30% growth in share price (April 2024 vs April 2023) while only 29% companies witnessed that magnitude of PAT growth**

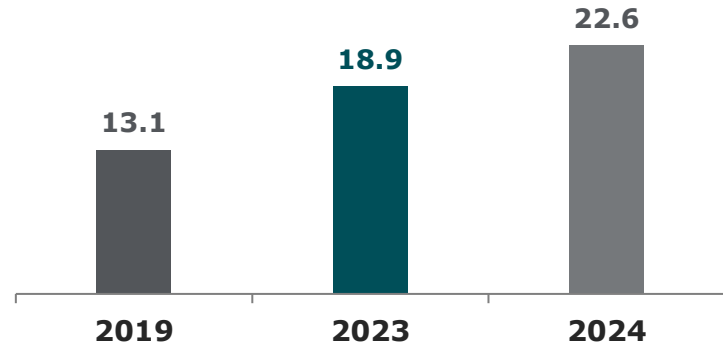


*The below charts include 41 NIFTY 50 companies as shortlisted and detailed in slide 2*

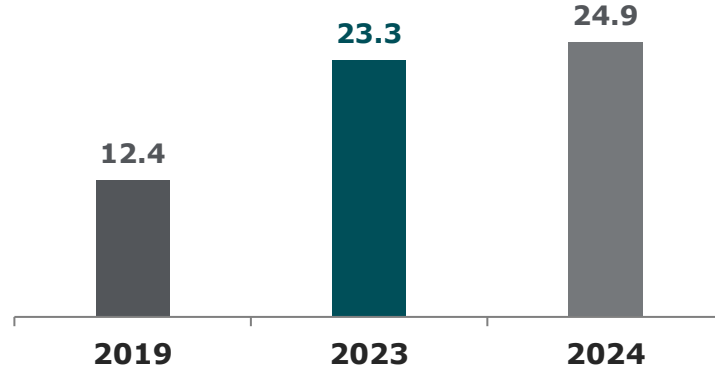
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Median Nifty50 CEO Pay - Total Cost to Company (including Long-term Incentives) (INR Cr.)

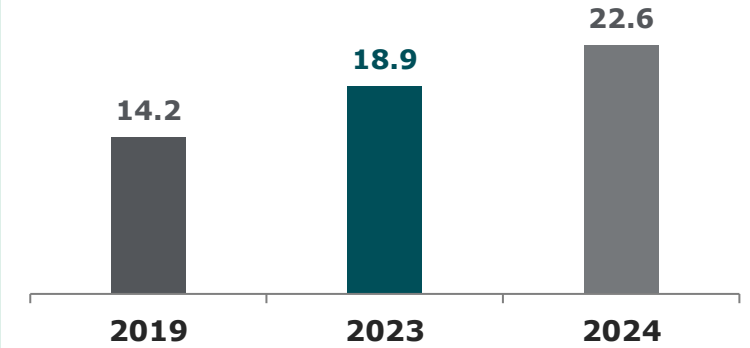
All incumbents



Promoter incumbents only



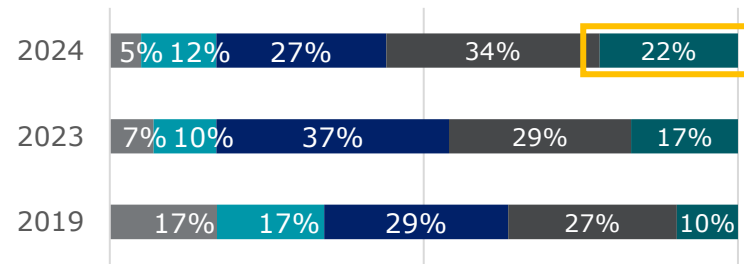
Non-promoter incumbents only



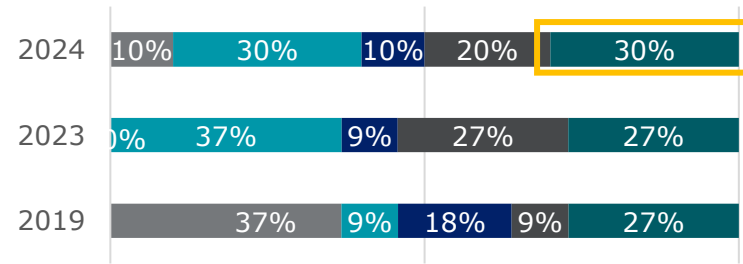
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Nifty50 CEO Pay brackets – Total Cost to Company (including Long-term Incentives) (% of CEOs)

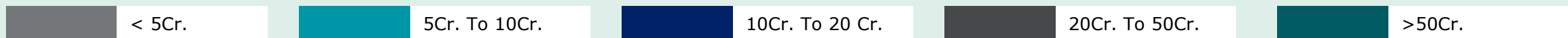
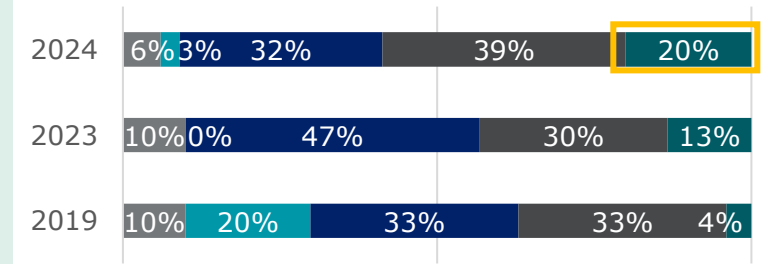
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Promoter incumbents only

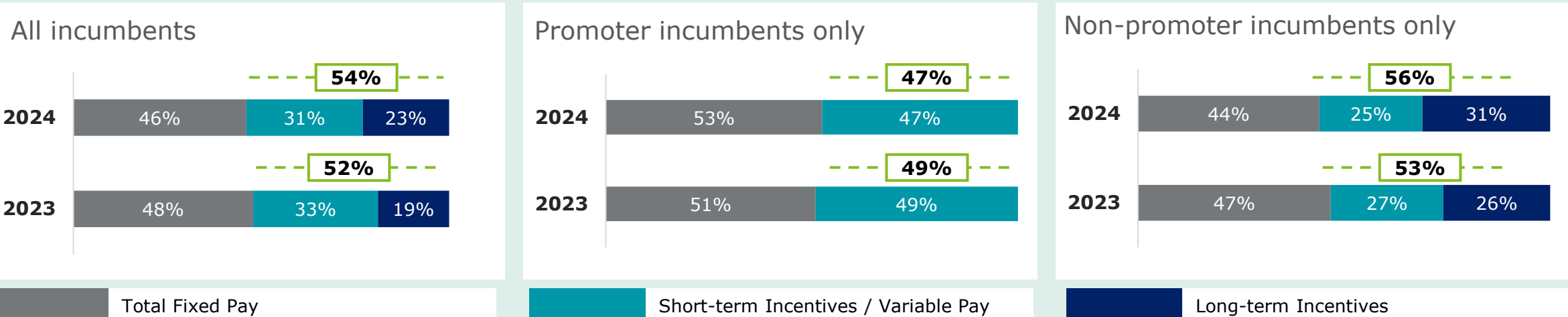


Non-promoter incumbents only



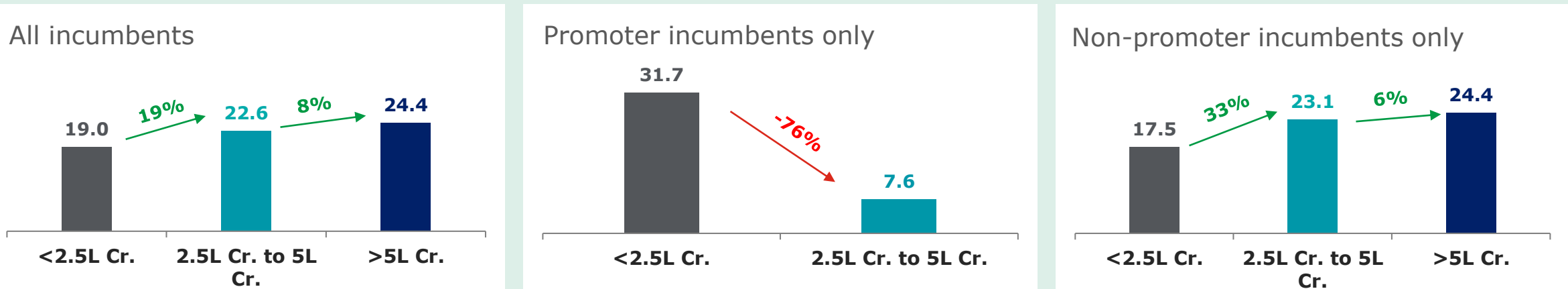
## Total Pay-at-risk component within Nifty50 CEO pay-mix has gone up for non-promoter incumbents, while for promoter incumbents, a drop in profit-linked commission has resulted in a minor fall in variable pay

Nifty50 CEO Pay-mix (as a % of Total Cost to Company with Long-term Incentives)



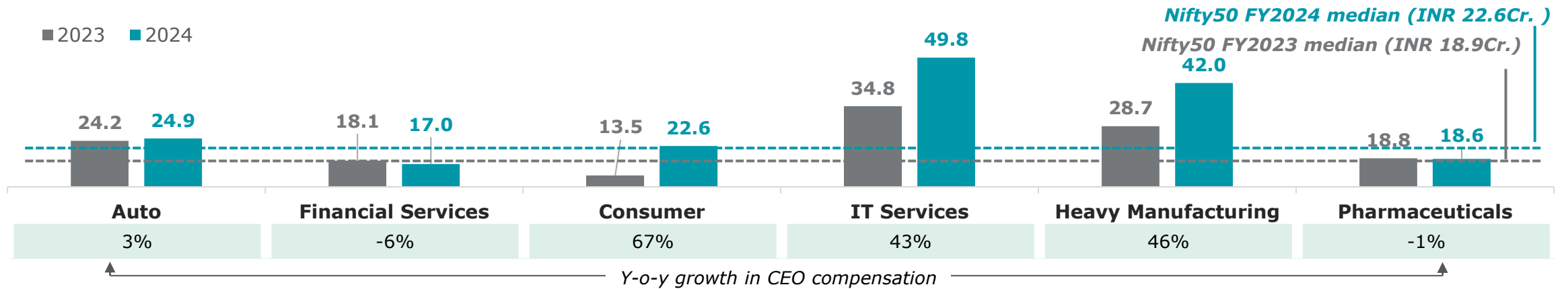
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Median Nifty50 CEO Pay - Total Cost to Company (including Long-term Incentives) – Y-Axis and Market Cap Bracket – X-Axis (INR Cr.)



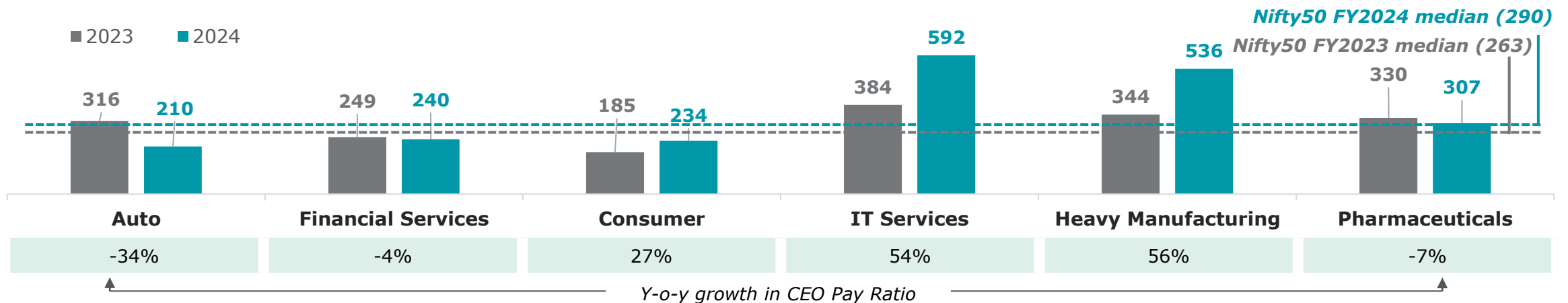
## CEO Pay in IT Services and Heavy Manufacturing companies continues to be the highest in India owing to their size, scale of operations as well as location of the CEO

Median Nifty50 CEO Pay - Total Cost to Company (including Long-term Incentives) by sector (INR Cr.)



## Ratio of Nifty50 CEO Pay to Median Remuneration of Employees has increased to 290 from 263 (FY '23 vs '24)

Median Nifty50 CEO Pay Ratio (Ratio of CEO Compensation to the Median Remuneration of Employees) by sector



## Additional observations

1

**5 Nifty50 companies witnessed a change in MD/CEO incumbent** in FY 2024. Two of these companies saw a change from Promoter CEO to a Professional CEO

2

We observed **no strong relationship between** growth in **Total Fixed Pay** and performance of the company as measured via Share Price, Revenue and PAT growth

3

We observed a **higher positive correlation between Variable Pay and Profit After Tax (PAT)** than the correlation between Variable Pay and Revenue

4

In case of Non-Promoter Nifty50 CEOs, we observed a **positive relationship between the value of Long-term Incentives and growth in Share Price** over the last 1 year

5

More than half the companies that make annual grants granted **higher number of shares in FY 2024 vs FY 2023. This, in combination with growth in share price, has tilted CEO pay-mix more in favor of LTI**





**Thank You**