

Apollo Tyres' Kanwars to take pay cut from FY19

Move comes as minority shareholders resist reappointment of MD Neeraj Kanwar

AJAY MODI
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Promoter chief executives may no longer find it easy to secure arbitrary pay hikes. The minority shareholders of leading tyre maker Apollo Tyres have driven Chairman Onkar S Kanwar and Vice-chairman and Managing Director Neeraj Kanwar to cap their compensation at 7.5 per cent of profit before tax effective FY19. This cap, the firm suggests, can be further reduced over a period of time. The cap was earlier at 10 per cent of the net profit.

The move comes after Neeraj Kanwar's reappointment as managing director was rejected by minority shareholders owing to his salary, which increased in spite of a fall in the company's profitability. Only 72.72 per cent of shareholders voted in favour of the resolution, which required a minimum of 75 per cent shareholders voting for it. Over 56 per cent of the public institutions category and nearly 49 per cent of the

non-public shareholders voted against the reappointment. This was a rare case in corporate India where a promoter's reappointment was rejected by minority shareholders.

In a meeting on Tuesday, the board of the country's third-biggest tyre maker (by revenue), have proposed a cap of 7.5 per cent on the total remuneration to the father-son duo.

The annual increments for the fixed portion of promoter compensation will be in line with that of the senior professionals of the company, the tyre major said. It also said the performance-linked compensation of the promoters would not exceed 70 per cent of the total pay.

Neeraj Kanwar's remuneration shot up by 48 per cent in FY18 to ₹446.40 million while Onkar S Kanwar's compensation rose about 10 per cent to ₹495.82 million, making for a total of ₹942 million, up 26 per cent YoY. The increase came even as the company's consolidated profit slipped 34

WHEELS COME OFF

Year	Consolidated PBT (₹ mn)	Total remuneration* (₹ mn)	Remuneration as per cent of PBT
FY16	15,900	871	5.5
FY17	14,350	749	5.2
FY18	10,120	942	9.3
FY19	NA	NA	7.5 (set as cap)

*Onkar S Kanwar and Neeraj Kanwar
Sources: Calculations based on annual reports, company

per cent to ₹7.23 billion. Data shows that the total remuneration to these two executives more than doubled between FY14 (₹446 million) and FY18. This happened even as the consolidated profit between FY14 and FY18 tanked 28 per cent, from ₹10.05 billion to ₹7.23 billion. The suggested cap of 7.5 per cent seems lower than the 9.3 per cent of the profit before tax that the Kanwars took home as remuneration in FY18. This is, however, higher as a proportion compared to FY16 (5.5 per cent)



Onkar S Kanwar (right) and Neeraj Kanwar

and FY17 (5.2 per cent).

In a statement on Tuesday, Apollo Tyres said the nominations and remuneration committee (NRC) of the board engaged with a range of institutional shareholders to take their views into consideration, and commissioned an independent report from EY to benchmark managing directors' compensation structures and amounts.

"This twin process of consultation and external benchmarking has resulted in a revised proposal

from the NRC for the compensation package to renew Neeraj Kanwar's contract from May 2019. The revised proposal would result in a reduction of about 30 per cent in overall compensation for both the promoters, Neeraj Kanwar and Onkar S Kanwar," it said. The company will seek reappointment of Kanwar as managing director for a five years beginning May 2019 through a special resolution. The process is expected to be completed by mid-December.

Q2 profit at ₹1.46 billion

Apollo Tyres earned a profit of ₹1.46 billion in Q2, up 4 per cent YoY. Sales revenue expanded over 22 per cent to ₹41.92 billion. The company made a provision of ₹400 million as it had a short-term intercorporate deposit of ₹2 billion with IL&FS Financial Services. "The deposit was due for maturity on October 22. However, IL&FS has defaulted on its repayment", the company said. Its stock price rose 3.68 per cent to ₹222.40 at the BSE on Tuesday.