

Apollo Tyres promoters agree to 30% pay cut

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India's second-largest tyre maker Apollo Tyres Ltd Tuesday said its promoters Onkar S. Kanwar and his son Neeraj Kanwar have agreed to a 30% pay cut for the current fiscal year.

The decision was taken by the nominations and remuneration committee (NRC) of Apollo Tyres' board, of which Onkar Kanwar is a member. The decision follows the annual general meeting on 12 September, when minority shareholders rejected Neeraj Kanwar's re-appointment as managing director amid claims of high compensation and moderating financial performance.

After the NRC "engaged with a range of institutional shareholders to take their views into consideration", besides commissioning an independent report from consulting firm EY to "benchmark" the promoters' compensation structures and



Apollo Tyres vice-chairman and managing director Neeraj Kanwar (left) with chairman Onkar S. Kanwar.

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amounts, it proposed a reduction of "approximately 30% in overall compensation for both promoters", Apollo Tyres said in a statement.

The revised proposal from the NRC is also applicable to the compensation package to renew Neeraj Kanwar's contract from May 2019. The board has "strongly" recommended that

the contract be renewed under the revised terms.

Apollo Tyres reported a rise of 4% in September quarter net profit to ₹146 crore on a consolidated level

Additionally, three "substantive" changes have been recommended by the board to shareholders for approval—a cap on total promoter compensation at 7.5% of profit

before tax (which will be further reduced over a period of time, as per the NRC's recom-

mendation), performance-based remuneration at approximately 70% of total compensation and that annual increments for the fixed portion of promoter compensation will be in line with that of senior executives.

Shriram Subramanian, founder and managing director of proxy advisory firm InGovern Research Services Pvt. Ltd, said the pay cut does not "really cut ice" because "investors would like to see the promoters taking more in terms of dividend rather than a salary or a commission", implying that the dividend should be the tool of choice to distribute wealth to promoters. "What also matters is the benchmark you are using, the peer comparison, and how performance-oriented it (the pay scale) is." Apollo Tyres has not made the EY report public.

On Tuesday, Apollo Tyres said its net profit increased 4% to ₹146 crore on a consolidated level for the September quarter, compared to a *Bloomberg* poll of ₹211 crore by nine analysts.