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India’s richest man caps his salary at $3.3mln

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MUMBAI: India’s richest man, Mukesh Ambani, announced Thursday that he will voluntarily cap his compensation at 150 million rupees this year.

His flagship company, Reliance Industries, said the decision reflects his ‘desire to set a personal example of moderation.’

Last year, he made 66 per cent more, or 440.2 million rupees, a drop in the bucket of his overall wealth, which Forbes magazine puts at $19.5 billion.

In March, Mukesh’s younger brother, Anil, decided to forego all compensation this year, Tony Jesudasan, a spokesman for his group of companies, said Thursday.
Last fiscal year, Anil received 520.8 million rupees.

The two brothers are locked in a bitter dispute over the spoils of their father Dhirubhai’s empire which is scheduled to go before India’s Supreme Court next week.

The global debate over executive compensation has largely bypassed India, where compensation is already regulated and economic growth has remained relatively strong.

The instabilities India suffered after the collapse of Lehman Brothers in late 2008 were seen largely as imported problems, rather than domestic issues that required structural reform.

Also, Indian executives make far less than their Western counterparts — on average 1/100th as much, according to one business lobby group.

But as India — where over 450 million people live on less than $1.25 a day — struggles to make sense of its robust but inequitable economic growth, the government has repeatedly asked executives to exercise restraint.

By early 2008, the ratio of the net worth of India’s 50 billionaires to total gross domestic product was over 20 per cent — higher than in Brazil, Mexico and Russia, according the Centennial Group, an emerging markets consultancy based in Washington, DC.

The country, it seems, is caught between two heroes: Mohandas Gandhi, the ascetic father of Indian independence, and the Ambani brothers’ father, Dhirubhai — one of India’s most successful and controversial early capitalists, accused by critics of unscrupulous business practices.

As the government battles a rising fiscal deficit, a few public officials have taken pay cuts and trimmed perquisites, part of the ruling Congress Party’s ‘austerity drive.’
Corporate leaders have been slower to follow.

This month, Minister of Corporate Affairs Salman Khurshid warned against excessive executive pay, prompting a flurry of complaints among business leaders.

‘I don’t think anyone in India today, in politics or outside politics ... has reached the level of liberalism where vulgarity is also a fundamental right,’ Khurshid told reporters.

His comments echoed a 2007 speech given by Prime Minister Manmohan Singh to a business group in which he urged executives ‘to eschew conspicuous consumption’ and ‘resist excessive remuneration,’ which he warned could deepen inequalities and fuel social unrest.

For the moment, however, there are no concrete plans to place additional regulations on executive pay.

India’s Companies Act of 1956 places caps on executive compensation that are linked to a public company’s net revenue. Executives who want to be paid more must apply to the government for special approval, which is hard to obtain. Bankers face additional scrutiny: Their salaries must be vetted by the central bank.

Vikram Shroff, head of employment law at Mumbai’s Nishith Desai Associates, said some other Indian executives whose companies have seen revenues fall as a result of the global downturn may soon follow the Ambani brothers’ example.

‘If the company hasn’t reached its targeted revenues, senior executives may be willing to take a temporary pay cut,’ he said. ‘It’s just to give a strong message that they remain responsible. If the company is not doing well, why should they take a bonus?’— AP

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