PROFILE OF SELECTED PUBLIC ENTERPRISES IN INDIA

4.1 INTRODUCTION

In India, public sector enterprises of commercial nature have been established by the government in the corporate sector. Such enterprises have been incorporated under the companies Act 1956 either as a public limited company or as a private limited company. Such public sector companies are required to publish their annual reports just like any other limited liability company. The Institute of Chartered Accountants of India (ICAI) has instituted awards for the best presented annual accounts right from 1958-59.

It is interesting to note that most of the awards have been won by public sector enterprises.

The need for financial reporting arises to comply with the statutory requirements, public opinion and the logic of social welfare. Ever-increasing importance of the corporate sector in the national economy has necessitated a complete and analytical disclosure of accounting information as a whole.

Generally, the productivity of investment in public enterprises is known from the rate of return it gives. So far, these rates of productivity are considered in respect of physical assets investment only. But it is a recognized fact, that human resources play a pivotal part on the performances and that the good image which they enjoy is also determined by the sustained and dedicated efforts of its employees to achieve excellence at work. Thus, there is a need to find out the productivity of investment made in the human resources and in this connection HRA is quite helpful.
Human Resources are also increasingly recognizes as the valuable assets for the business. Thus the argument has often been made in favour to have disclosure of such assets and other transactions in the financial statements at par with other tangible assets. This argument is supported by the theory of enterprise valuation.

Experts point out those companies can derive many benefits by going in for HRA. Not only can they receive the return on capital employed on total organizations assets (including the human assets), but the result can also be planned accordingly. “Once organization realize the actual benefit and take it as a growth process, it will only help them in increasing their shareholder’s value. When a company is able to an individual’s worth, it helps in increasing its own worth” – says Ajay Sharma, senior HR manager of Cadence Systems.

The previous chapter provided theoretical background to the study by describing various methods along with underpinnings of valuation of human resources proposed by others. This chapter seeks to expand the corporate financial reporting practices. For this content analysis of the different pieces if information such as method of valuation, elements underlines the different methods are discussed. Besides, an effort is made to cataloguing the different items and their frequency of reporting. Different models for conceptualizing and measuring the economic effects of human resources have been developed and refined by researchers over the period since its inception.

A few selected U.S. companies have tried for practical application of HRA for their human resources. R.G.Barry Corporation in Columbus initiated to develop a usable system of HRA in 1966.
The company developed a performa balance sheet in which human resource investments are reported during the period of its operation starting from 1969.

In India, Bharat Heavy Electricals Limited (BHEL) took the initiative and provided leadership in HRA valuation and reporting practice. BHEL valued and reported its human resources in the annual report of 1974-75. Presently, a number of public as well as private sector enterprises have started HRA practices in India.

Even after serious efforts made by researchers and professionals the world over for about thirty three years of its commencement in India, a few enterprises are disclosing human resource accounting information. In India, none of the regulatory authorities has issued proper guidelines for valuation and reporting of human resources and its accounting and this might have created obstacle in the development of HRA practices in India.

At this Juncture, a number of questions regarding HRA practice in India arise. These are:

(1) Why are only a few enterprises following HRA practices?
(2) Why are HRA practices not widely accepted in India?
(3) Why importance of HRA is not felt (established) in India?
(4) Is HRA a time and resource wasting exercise?

To get the answers to all such questions, the present chapter plans to study the HRA practice followed by the Indian public enterprises only.
For this purpose, the study includes all the enterprises which are presently following HRA practice. The present chapter of study is designed as under:

(i) Study of guidelines issued by statutory bodies for HRA practices.

(ii) Study of information published by different enterprises following the valuation and reporting of HRA in India.

The final list of the selected public enterprises under the study is as follows:

Selected Public Enterprises for the Study

1. **ONGC**: Oil and Natural Gas Corporation Limited
2. **HPCL**: Hindustan Petroleum Corporation Limited
3. **CCI**: Cement Corporation of India Limited
4. **KRL**: Kochi Refineries Limited
5. **OIL**: Oil India Limited
4.2 A BRIEF PROFILE OF SURVEYED PUBLIC ENTERPRISES IN INDIA

The following section undertakes the study of Indian public enterprises individually and also includes the HRA valuation and disclosure practices followed by the public enterprises concerned.

4.2.1 OIL & NATURAL GAS CORPORATION LIMITED (ONGC)

INTRODUCTION & BACKGROUND

ONGC was set up in 1956 with significant contribution in industrial and economic growth of the country, is a leading national oil company of India engaged mainly in exploration, development and production of crude oil, natural gas and some value added products. It was subsequently converted into a public limited company in June-1993 following new liberalized economic policy. ONGC is India’s largest producers of crude oil, natural gas, LPG and other value added petroleum products.

- ONGC ranks 3rd Oil & Gas Exploration & Production (E&P) Company in the world and 23rd among leading global energy majors as per Platts 250 Global Energy Companies List for the year 2009.
- Finance Asia 100 list ranks ONGC no 1 among Indian Blue Chips.
- Occupies 155th rank in “Forbes Global 2000” list 2010 of the world’s biggest companies for 2010 based on sales, profits, assets and market capitalization.
- ONGC ranked 402nd position as per Fortune Global 500-2009 list; based on revenues, shareholder’s equity.
- ONGC owns and operates more than 22000 kilometers of pipelines in India. No other company in India operates even 50 per cent of that.
- ONGC posted a net profit of Rs. 167.68 billion despite volatile oil markets and crude prices.
• Net worth Rs 864 billion.
• Practically Zero Debt Corporate.
• Contributed over Rs. 281 billion to the exchequer.

AWARDS

• Ranked at 2nd position in FE500 list 2010 in net worth and overall composite ranking.
• ONGC awarded with Gold Trophy for SCOPE Meritius Award for Corporate Social Responsibility, Responsiveness for the year 2007-08 and for R&D, Technology Development and Innovation year 2008-09.
• Clinched Dalal Street investment Journal PSU Awards 2010 for excellent overall performance category of heavy weights and highest market capitalisation in the category of wealth Building.
• Rated ‘Very Good’ in MOU performance rating for 2008-09 by the Department of Enterprises, Ministry of Heavy Industries in Public Enterprises, GOI.

ONGC started disclosing HRA from the financial year 1981-82. ONGC adopted Lev & Schwartz Model which equates anticipated future earnings as the surrogate “value” of the employees. A discount rate of 11% has been applied in 1981-82. Present discount rate is 8%.

ONGC considers the rate of interest, at which the government of India advances them loans, as the discount rate. ONGC reports HRV category wise, age wise and in total.
<table>
<thead>
<tr>
<th></th>
<th>OIL &amp; NATURAL GAS CORPORATION LTD. AT A GLANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Year of Incorporation : 1956</td>
</tr>
<tr>
<td>2.</td>
<td>Type of Industry : Oil Exploration, Allied Services</td>
</tr>
<tr>
<td>3.</td>
<td>Type of Organization : Public Limited Company</td>
</tr>
<tr>
<td>4.</td>
<td>Size of Industry : Large Scale</td>
</tr>
<tr>
<td>5.</td>
<td>Chairman &amp; M. D. : R. S. Sharma</td>
</tr>
<tr>
<td>6.</td>
<td>Email Address : <a href="mailto:corphqo@ongc.co.in">corphqo@ongc.co.in</a></td>
</tr>
<tr>
<td>7.</td>
<td>Name of Website : <a href="http://www.ongcindia.com">www.ongcindia.com</a></td>
</tr>
<tr>
<td>8.</td>
<td>Nature of Activity : Exploration, Development and Production of Crude Oil, Natural Gas and LPG</td>
</tr>
<tr>
<td>9.</td>
<td>Company Secretary : N. K. Sinha</td>
</tr>
<tr>
<td>10.</td>
<td>Auditors : Padmanabhan Ramani &amp; Ramanujam, Chennai</td>
</tr>
<tr>
<td>11.</td>
<td>Bankers : State Bank of India</td>
</tr>
<tr>
<td>12.</td>
<td>Register and Share Transfer Agent : M/S Karvy Computershare Pvt. Ltd, New Delhi</td>
</tr>
<tr>
<td>14.</td>
<td>Turnover : 63968 Crores</td>
</tr>
<tr>
<td>15.</td>
<td>Total Expenditure : 44919 Crores</td>
</tr>
<tr>
<td>16.</td>
<td>Profit After Tax : 16126 Crores</td>
</tr>
<tr>
<td>17.</td>
<td>Net Fixed Assets : 10414 Crores</td>
</tr>
<tr>
<td>18.</td>
<td>Investments : 5090 Crores</td>
</tr>
<tr>
<td>19.</td>
<td>Earnings per share : Rs. 75.40</td>
</tr>
<tr>
<td>20.</td>
<td>Listing on Stock Exchanges</td>
</tr>
<tr>
<td></td>
<td>(1) National Stock Exchange Limited, New Delhi</td>
</tr>
<tr>
<td></td>
<td>(2) Bombay Stock Exchange Limited, Mumbai</td>
</tr>
</tbody>
</table>
REGISTERED OFFICE
Tower II, Jeevan Bharti Building
124, Indira Chowk
New Delhi – 110 001

PRODUCTS OF THE COMPANY
1. Crude Oil
2. Natural Gas
3. LPG
4. Naptha
5. Ehane

4.2.2 HINDUSTAN PETROLEUM CORPORATION LIMITED
(HPCL)

INTRODUCTION & BACKGROUND
HPCL was originally incorporated in 1953; the corporation came to its present status through various mergers and acquisitions. HPCL is a central commercial enterprise engaged in refining and marketing of crude oil.

The refineries of HPCL upgrade crude petroleum into many products such as petrol, diesel, kerosene, LPG, naphtha and over 300 grades of lubricants, specialties and greases.

HPCL is a Fortune 500 company, with an annual turnover of Rs. 131803 crores during F.Y. 2008-09, having about 20% marketing share in India and a strong market infrastructure.

HPCL operates 2 major refineries producing a wide variety of petroleum fuels and specialties, one in Mumbai (west coast) of 6.5 (MMTPA) per annum capacities and the other in Vishakhapatnam with a capacity of 8.3 MMTPA. HPCL holds an equity stake of 16.95% in Mangalore Refineries and Petrochemicals Limited. In addition, HPCL is constructing a refinery at Bhatinda in the state of Punjab as a Joint venture with Mittal Energy Investments Pvt. Ltd.
HPCL also owns and operates the largest lube refinery in the country producing lube base oils of international standards, with a capacity of 335 MMT. This lube refinery accounts for over 40% of the India’s total lube base oil.

HPCL follows the Lev & Schwartz Model for the valuation and reporting of human resources. Company discounts the future expected return of employees at the rate, which is changes time to time. Company calculates the present value of future expected return at the rate equal to weighted average cost of capital for the year.

HPCL divides total employees in group wise and age wise and disclose total average age of employees and also reports human resource value group wise as well as in total.

HPCL also reports total assets including human asset resource, net fixed assets, net current assets, employee cost, and net profit before tax and some ratios like PBT/HR, Employee Cost/HR, HR/TR.

At present HPCL disclose and reports human resource value information in their annual report.

**AWARDS**

- Petrofed Project Management Award in recognition of completing Mundra-Delhi Pipeline Project.
- Golden Peacock Environment Mangement Award by World Environment Foundation to Mumbai Refinery.
- Reader’s Digest “Trusted Brand Award”.
- NDTV Profit – Business Leadership Award awarded by NDTV Profit for excellence in business.
- Corporate Governance and CSR Award by Institute of Directors, for Corporate Governance.
- Corporate Governance National Quality Award for Safety by Institute of Directors for National Quality.
# HINDUSTAN PETROLEUM CORP. LTD. AT A GLANCE

1. Year of Incorporation : 1953  
2. Type of Industry : Refineries  
3. Type of Organization : Public Limited Company  
4. Size of Industry : Large Scale  
5. Chairman & M.D. : Arun Balakrishnan  
6. Email Address : corphqo@hpcl.co.in  
7. Name of Website : www.hindustanpetroleum.com  
8. Nature of Activity : Refining & Marketing Oil  
9. Company Secretary : N.R.Narayanan  
10. Auditors  
    (1) Sudit K. Parekh & Co., Mumbai  
    (2) V. Sankar Aiyar & Co., Mumbai  
12. Register and Share Transfer Agent  
    M/S Link Intime India Pvt. Ltd  

## Financial Data of the Year 2008-09

14. Turnover : 131803 Crores  
15. Total Expenditure : 123109 Crores  
16. Profit After Tax : 575 Crores  
17. Net Fixed Assets : 11655 Crores  
18. Investments : 14196 Crores  
19. Earnings per Share : Rs.16.98  
20. Listing on Stock Exchanges  
    (1) National Stock Exchange Limited, New Delhi  
    (2) Bombay Stock Exchange Limited, Mumbai
REGISTERED OFFICE
Petroleum House
17, Jamshedji Tata Road
Mumbai – 400 020

PRODUCTS OF THE COMPANY
1. LPG
2. Naptha
3. Motor Spirit
4. Aviation Turbine Fuel

4.2.3 CEMENT CORPORATION OF INDIA LIMITED (CCI)

INTRODUCTION & BACKGROUND
CCI was incorporated as a company wholly owned by Government of India on 18th January 1965 with the principal objective of achieving self sufficiency in cement production.

It has 10 units spread over 8 states, union territories. 7 out of 10 units are non operational due to various reasons. The company became sick on was referred to BIFR. The company was reviewed in the light of public sector policy under National Common Minimum Programme (NCMP) and a restructuring; revival plan has been approved by the government. The production for the year 2006-07 in the running units is anticipated to be Rs. 261.61 crores.

In line with the advancement in cement technology CCI had been adopting the latest one with one million tonne plants at Tandur and Nayagaon.
CCI manufactures various types of cements like Portland Pozzolana Cement (PPC), Portland Slag Cement (PSC) & Ordinary Portland Cement (OPC) of varying grades viz. 33, 43, 53 and 53S (special grade cement for manufacture of sleepers for Indian Railways) grades, under strict quality control with the brand name of CCI Cement.

CCI with a strong work-force of 1159 employees (as on 31.03.2009) has always encouraged balanced regional growth with most of its factories located in underdeveloped/backward areas.

The authorized and paid-up capital of the company as on 31.03.2009 was Rs. 900 crores and Rs. 811.41 crores respectively.

CCI started reporting of human resource value from the year 1979-80. Company follows the Lev & Schwartz Model with refinements suggested by Flammholtz, Jaggi and Lau. Company uses to discount the future expected return of an employee by applying the rate of discounting at 15%. In CCI the profile of the human power distributed profession wise and age wise.

CCI reports the value of human resources category wise as well as in total. It also reports the number of training and development programmes conducted every year and number of employees that participated in such programs.

It also provides the performance and other indices of the company measured in terms of per employee.
## CEMENT CORPORATION OF INDIA LTD. AT A GLANCE

1. Year of Incorporation : 1965  
2. Type of Industry : Cement  
3. Type of Organization : Public Limited Company  
4. Size of Industry : Medium Scale  
5. Chairman & M. D. : A. K. Srivastava  
6. Email Address : cmd@cementcorporation.co.in  
7. Name of Website : www.cementcorporation.co.in  
8. Nature of Activity : Manufacturing of Cement  
9. Company Secretary : Ajay Kumar Sharma  
10. Auditors : D.C.Garg & Co., Sahadara Delhi  
11. Bankers:  
   State Bank of India, State Bank of Hyderabad,  
   Corporation Bank, Vijaya Bank and State Bank of Indore  
12. Register and Share Transfer Agent: Not Reported

## Financial Data of the Year 2008-09

14. Turnover : 319 Crores  
15. Total Expenditure : 314 Crores  
16. Profit After Tax : 53 Crores  
17. Net Fixed Assets : 115 Crores  
18. Investments : 228 Crores  
19. Earnings per Share : Not Reported  
20. Listing on Stock Exchanges  
   (1) National Stock Exchange Limited, New Delhi  
   (2) Bombay Stock Exchange Limited, Mumbai
REGISTERED OFFICE
Core 5
Scope Complex
7, Lodhi Road
New Delhi – 110 003

PRODUCTS OF THE COMPANY
1. Ordinary Portland Cement
2. Pozzolana Portland Cement

4.2.4 KOCHI REFINERIES LIMITED (KRL)

INTRODUCTION & BACKGROUND
Kochi Refinery started on 27 April 1963 when Government of India, Phillips Petroleum Company of USA and Duncan Brothers of Calcutta signed an agreement for the construction of a petroleum refinery in south India, in Kochi, Kerala.

Erstwhile Kochi Refineries Limited, formerly known as Cochin Refineries Ltd (CRL), was formally registered on 6 September 1963 at Ernakulam. Phillips Petroleum International Corporation was the prime contractors for the construction of the refinery. The Prime Minister of India Ms. Indira Gandhi inaugurated it on 23 September 1966.

Kochi Refinery produces all fuel based refinery products viz Liquefied Petroleum Gas, Naphtha, Gasoline, Kerosene, Aviation Turbine Fuel, Gas Oil, Fuel Oil and Bitumen. The foray into direct marketing began since 1993 through marketing its aromatic products Benzene and Toluene.
Kochi Refinery, today, has earned the reputation as a reliable player in the international trade, by virtue of superior product quality and customer service.

Kochi Refinery which is now owned by Bharat Petroleum Corporation Limited is recognized as one of the best run refineries in India with global levels of excellence. Kochi Refinery Learning Centre managed by the refinery is regularly running various kinds of training and educational programmes relevant to oil and gas operations.

Today Kochi Refinery is a frontline entity as the unit of the Frontline 500 Company, BPCL Kochi Refinery, today, has earned the reputation as a reliable player in the international trade, by virtue of superior product quality and customer service.

KRL follows human resource accounting valuation and reporting in the annual reports of the company. KRL follows salary-based economic valuation model proposed by Lev & Schwartz for human resource valuation.

It started reporting HRA from the year 1987-88. Thus, the human resources are valued at the present value of the future earnings of the employees, discounted by the appropriate rate. KRL considers discount rate of 15 percent which is equal to the cost of capital.

**Merger with BPCL**

Bharat Petroleum Corporation Limited (BPCL) acquired the Government of India’s shares in KRL in March 2001. Consequent to the merger order dated 18 August, 2006 issued by Ministry of Company Affairs; the refinery has been amalgamated with Bharat Petroleum Corporation, hence forth to be known as BPCL – Kochi Refinery.
<table>
<thead>
<tr>
<th><strong>KOCHI REFINERIES LTD. AT A GLANCE</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Year of Incorporation : 1963</td>
</tr>
<tr>
<td>2. Type of Industry : Refineries</td>
</tr>
<tr>
<td>3. Type of Organization : Public Limited Company</td>
</tr>
<tr>
<td>4. Size of Industry : Large Scale</td>
</tr>
<tr>
<td>5. Chairman &amp; M.D. : Ashok Sinha &amp; B.K. Menon</td>
</tr>
<tr>
<td>6. Email Address : <a href="mailto:krlcom@kochirefineri.com">krlcom@kochirefineri.com</a></td>
</tr>
<tr>
<td>7. Name of Website : <a href="http://www.kochirefineries.com">www.kochirefineries.com</a></td>
</tr>
<tr>
<td>8. Nature of Activity : Produces Fuel Based Refinery Products</td>
</tr>
<tr>
<td>9. Company Secretary : Not Reported</td>
</tr>
<tr>
<td>10. Auditors : U. Shankar, Chennai</td>
</tr>
<tr>
<td>11. Bankers : State Bank of India, Bank of India</td>
</tr>
<tr>
<td>12. Register and Share Transfer Agent: Not Reported</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financial Data of the Year 2004-05</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Turnover : 15451 Crores</td>
</tr>
<tr>
<td>15. Total Expenditure : 2001 Crores</td>
</tr>
<tr>
<td>16. Profit After Tax : 842 Crores</td>
</tr>
<tr>
<td>17. Net Fixed Assets : 1362 Crores</td>
</tr>
<tr>
<td>18. Investments : 71 Crores</td>
</tr>
<tr>
<td>19. Earnings per Share : Rs. 18.80</td>
</tr>
<tr>
<td>20. Listing on Stock Exchanges</td>
</tr>
<tr>
<td>(1) National Stock Exchange Limited, New Delhi</td>
</tr>
<tr>
<td>(2) Bombay Stock Exchange Limited, Mumbai</td>
</tr>
</tbody>
</table>
REGISTERED OFFICE
Post Bag 2
Kundannur Maradu
Ernakulam District
Kerala – 682 304

PRODUCTS OF THE COMPANY
1. LPG
2. Gasoline
3. Aviation Turbine Fuel
4. Bitumen
5. Ethane

4.2.5 OIL INDIA LIMITED (OIL)

INTRODUCTION & BACKGROUND
The story of Oil India Limited (OIL) traces and symbolizes the development and growth of the Indian petroleum industry. From the discovery of crude oil in the far east of India at Digboi, Assam in 1889 to its present status as OIL has come far, crossing many milestones.

On February 18, 1959, Oil India Private Limited was incorporated to expand and develop the newly discovered oil fields of Naharkatiya and Moran in the Indian North East. In 1961, it became a joint venture company between the Indian Government and Burmah Oil Company Limited, UK.

The authorized share capital of the company is RS. 500 crores. The issued and subscribed and paid share capital of the company is Rs. 240.45 crores.
At present the Government of India, the promoter of the company is holding 78.43% of the total issued & paid –up capital of the company.

In a recent CRISIL- India Today Survey, OIL was adjudged as one of the five best major PSUs and one of the three best energy sector PSUs in the country.

OIL started reporting of HR value from the year 1982-83. OIL follows Lev & Schwartz Model which has been suitably modified to suit OIL circumstances. Further anticipated have been discounted by applying a discount rate, which vary from 10.5% to 15%.

OIL reports profession category wise and age wise distribution, Total employees, category wise as well as total human resource value. It has categorized its employees in different groups.

It also reports total resources including human resource (Net fixed asset and Net current assets) at current cost and at historical cost both. Company also reports some ratios like: Turnover/Human resource, Profit before tax/Human resource, HR/TR.
### OIL INDIA LTD. AT A GLANCE

1. **Year of Incorporation**: 1959  
2. **Type of Industry**: Oil Drilling and Allied Services  
3. **Type of Organization**: Public Limited Company  
4. **Size of Industry**: Large Scale  
5. **Chairman & M.D.**: N.M. Borah  
6. **Email Address**: oilindia@oilindia.in  
7. **Name of Website**: www.oil-india.com  
8. **Nature of Activity**: Exploration, Development and Production of Crude Oil, Natural Gas And LPG  
9. **Company Secretary**: S.R. Krishnan  
10. **Auditors**:  
    (1) M/S A. K. Sabat & Co., Bhubaneswar  
    (2) M/S Chaterjee & Co., Kolkata  
11. **Bankers**:  
    State Bank of India, HDFC, ICICI, AXIS & Standard Chartered Bank  
12. **Register and Share Transfer Agent**:  
    M/S Karvy Computershare Pvt. Ltd, Hyderabad  

### Financial Data of the Year 2008-09

14. **Turnover**: 7241 Crores  
15. **Total Expenditure**: 3961 Crores  
16. **Profit After Tax**: 2162 Crores  
17. **Net Fixed Assets**: 1134 Crores  
18. **Investments**: 489 Crores  
19. **Earnings per Share**: Rs. 101.01  
20. **Listing on Stock Exchanges**:  
    (1) National Stock Exchange Limited, New Delhi  
    (2) Bombay Stock Exchange Limited, Mumbai
REGISTERED OFFICE
P.O. Duliajan
Distt. Dibrugarh
Assam – 786 602

PRODUCTS OF THE COMPANY
1. Crude Oil
2. Natural Gas
3. LPG

4.3 CATEGORY WISE DISTRIBUTION OF SURVEYED PUBLIC ENTERPRISE

The Indian public enterprises of late have shown more interest in assigning values to their human resources, than at present.

According to our study, 23 public enterprises in India have been found practicing and disclosing the HRA in past and out of which 5 public enterprises ONGC, HPCL, CCI, KRL & OIL, were found practicing and disclosing HRA information.

As compared to total Indian public enterprises, this is a very small number. The public enterprises are voluntarily reporting the HRA data as additional information to shareholders.

The study indicates that a very small number of enterprises have accepted HR accounting practices in India as it is clear from the following table.
Table – 4.1
Total Number of Enterprises
HRA Practices in India up to March 2009

<table>
<thead>
<tr>
<th>Total Number of Public Enterprises in India up to March 2009</th>
<th>Total Number of Public Enterprises following HRA Before Study</th>
<th>Total Number of Public Enterprises following HRA at Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>246</td>
<td>23</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009
www.dpe.nic.in

From the above table 4.1 it is clear that among 246 public enterprises in India up to March 2009, only 23 public enterprises were following HRA practices before and from that at present only 5 public enterprises in India are following human resource accounting practices.

HRA valuation and reporting practice in India was initiated by public sector giant, BHEL in the financial year 1974-75.

The above table makes it clear that the initiative taken by BHEL was accepted by 22 other public sector enterprises.

Following public enterprises, 7 private enterprises in India had also initiated in reporting HRA. They are ACC, Global Tele Ltd., Infosys, Rolta India, Satyam Computers, Tata Engineering and Locomotive and U. P. Cement.
Table – 4.2
Selected Public Enterprises Practices of HRA in India up to March 2009

<table>
<thead>
<tr>
<th>Public Enterprises</th>
<th>HRA Practice Followed From the Year</th>
<th>HRA Practice Followed at Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ONGC</td>
<td>1981-82</td>
<td>Yes</td>
</tr>
<tr>
<td>2. HPCL</td>
<td>Not reported</td>
<td>Yes</td>
</tr>
<tr>
<td>3. CCI</td>
<td>1979-80</td>
<td>Yes</td>
</tr>
<tr>
<td>4. KRL</td>
<td>1987-88</td>
<td>No</td>
</tr>
<tr>
<td>5. OIL</td>
<td>1982-83</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009

Table 4.2 consists of the selected public enterprises practices of HRA in India up to March 2009.

At present only 3 public enterprises ONGC, HPCL and CCI are valuing and reporting HRA information in India. Public enterprises KRL and OIL previously practising HRA have stopped HR valuation and reporting practices.

From present data it is clear that, out of 23 public enterprises practising HRA in India, 20 public enterprises have presently stopped HR valuation and reporting practices.

The above study reflects the following points:

- At present there is destroying situation of HRA practices in India as only 3 public enterprises followed HRA valuation and reporting practices in India.
- Public sector giant BHEL, SAIL, NTPC and others, who were following HRA, practices since last 30 to 35 years had discontinued the same.
- HRA has not been introduced as a system.
4.4 HRA VALUATION AND DISCLOSURE PRACTICE IN INDIA

In the earlier section of this chapter it was found that very few public enterprises were following the HRA valuation and reporting practice in India. Out of 23 public enterprises in India, 20 public enterprises have presently stopped HR Valuation and reporting practices. Now, a question arises about the usefulness of HRA practices. Behavioural scientists as well as professionals had made a number of arguments and therefore a question arises about the usefulness of HRA practices in India.

The arguments were:

• HRA helps in decision making.
• HRA provides motivation to the employees.
• HRA provides input to the internal as well as external decision makers.

Now a question arises, why very few public enterprises accepted HRA practices?

To find answer, certain vital questions relating to valuation, reporting and disclosure of Human resources are studied. These questions are:

• Does HRA provide enough information to the users?
• Is fair valuation of HRA Possible?
• What benefits do the internal as well as external decision makers get from the HRA practices?

Now to find out answers to all such questions, efforts have been made to analyze the valuation as well as disclosure practice followed by the public enterprises in India. For this purpose, some variables have been identified and analyzed.
These variables can be broadly divided into two groups as under:

(1) Variables related to valuation practices.
(2) Variables related to reporting practices.

(I) **Variables related to Valuation Practices**

Under the study of valuation practices, the following variables related to human resource valuation practices have been selected:

(1) Valuation Model  
(2) Discount Rate  
(3) Cataloguing of employees

It was found in the analysis of valuation practices that all the public enterprises in India have been using the economic valuation model for the valuation of human resources. Therefore, in this study variables related to the economic valuation of human resources have been considered.

(II) **Variables related to reporting practices**

Under the study of reporting practices, the following variables related to human resource accounting disclosure have been selected:

(1) Disclosure of human resource value.  
(2) Disclosure related to profitability and efficiency.

In the analysis of reporting practices followed by the public enterprises in India, certain commonly used headings related to valuation and disclosure were selected for the evaluation. Thus, the variables related to human resource valuation and reporting practices in the form of efficiency and profitability ratios have been selected for a further analysis.
4.5 HUMAN RESOURCE VALUATION MODEL

Indian public enterprises follow economic valuation models for human resource valuation and reporting practices.

Table – 4.3

Human Resource Valuation Model selected by Public Enterprises in India up to March 2009

<table>
<thead>
<tr>
<th>Public Enterprises</th>
<th>Lev &amp; Schwartz Model</th>
<th>Lev &amp; Schwartz Model with Refinement Suggested by Flamholtz, Jaggi and Lau</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009

Table 4.3 consists of human resource valuation model selected by public enterprises in India up to March 2009. The public enterprises like ONGC, HPCL, KRL and OIL have adopted the Lev & Schwartz Model (1971) of economic value and have used an employee’s anticipated future earnings as a surrogate of his value.

The public enterprise CCI had adopted economic valuation concept and accepted the model suggested by Lev & Schwartz with refinements suggested by the Eric Flamholtz, Jaggi & Lau. The model used by public sector giant BHEL is as follows:

\[ HRV = P \times 12 \times N \times E \times I/F \]

Where,

- \( P \times 12 \) = Annual compensation including basic pay, DA, CCA, HRA, PF contribution etc.
- \( N \) = Number of employees in the grade.
- \( E \) = Efficiency factor.
- \( I \) = Incremental factor, future expected increments.
- \( F \) = Discount factor, which is constant at 12 percent being risk free rate of return.
4.6 DISCOUNT RATE

In our study, we have found no uniformity in discount rate applied by different public enterprises in converting the future expected return of employees/individuals into present value.

Discount rate may be:

(i) Bank rate on loans.
(ii) Rate of investment (ROI).
(iii) Cost of capital rate.

Considering the human resources as capital, enterprises apply the cost of capital as the discount rate. Some enterprises consider risk-free interest rate as the discount rate.

The different discount rates followed by different public enterprises are as under:

Table – 4.4

Discount Rate Applied by Selected Public Enterprises in India up to March 2009

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Public Enterprise</th>
<th>Discount Rate (In Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ONGC</td>
<td>7 (Varying)</td>
</tr>
<tr>
<td>2</td>
<td>HPCL</td>
<td>8.25 (Varying)</td>
</tr>
<tr>
<td>3</td>
<td>CCI</td>
<td>Not Reported</td>
</tr>
<tr>
<td>4</td>
<td>KRL</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>OIL</td>
<td>Not Reported</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009
The above Table 4.4 shows that different discount rates were applied by the different public enterprises in India. The following were the findings of discount rate analysis:

- There is no harmony in the discount rate applied by different public enterprises in converting the future expected returns of employees/Individuals into the present value.
- ONGC and HPCL used the discount rate equal to the cost of capital, which is 7% by ONGC and 8.25% by HPCL. They were found to be using a different rate every year that is varying.
- CCI and OIL had not reported discount rate.
- KRL applied discount rate at 15% considering the risk free rate of return.
- None of the public enterprises had given reason for applying particular discount rate.
- Different public enterprises like ONGC, HPCL, KRL and OIL from the same industry i.e. oil industry were found to apply different discount rates.

All the above public enterprises were found following the economic valuation method considering human resources as a human capital. The change in discount rate would affect the HRV without a change in any other material condition of the enterprise.

4.7 CATALOGUING OF EMPLOYEES

Category wise distribution of human resource and their value is cataloguing of employees. The economic valuation model of human resource valuation requires grouping or classifying the employees as per the possibilities of earning future incomes at par.
In the study, it was found that even after accepting the same concept of economic valuation of human resources and more or less the same model, there is no uniformity in cataloguing of employees. Some public enterprises divide total employees age wise and designation wise, whereas some enterprises follow the cataloguing of employees on the basis of educational qualification and designation, some enterprises group the employees on the basis of age and qualifications. It was also found that some enterprises followed the distribution/cataloguing of employees on the basis of the nature of work and seniority.

### Table – 4.5

**Category Wise Distribution of Human Resource Value in Selected Public Enterprises in India up to March 2009**

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Name of PE’S</th>
<th>Group Wise</th>
<th>Total</th>
<th>Group Wise HRV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ONGC</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>HPCL</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>KRL</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
<td>NR</td>
</tr>
<tr>
<td>4</td>
<td>CCI</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>OIL</td>
<td>1</td>
<td>1</td>
<td>NR</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009

Table 4.5 consists of category wise distribution of HRV by public enterprises in India up to March 2009.

It is clear that majority of public enterprises under the study had catalogue the employees group wise, total, and group wise HRV and total.
It also indicates that, among 5 public enterprises following HRA practices up to March 2009, 2 public enterprises KRL & OIL, had stopped valuing and reporting HRA.

KRL was merged with BPCL. OIL had categorized human resource group wise but failed to report group-wise HRV.

Table – 4.6
Age Wise Distribution of Human Resource and their Value in Selected Public Enterprises in India up to March 2009

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Name of Public Enterprise</th>
<th>Age Wise Distribution &amp; their Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ONGC</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>HPCL</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>KRL</td>
<td>NR</td>
</tr>
<tr>
<td>4</td>
<td>CCI</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>OIL</td>
<td>NR</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009

Above Table 4.6 indicates that among 5 public enterprises under the study only 3 public enterprises ONGC, HPCL & CCI had distributed human resources age wise and also disclose age wise distribution of their values. While KRL & OIL had stopped valuing and reporting HRV, hence not reported age wise distribution of human resource and their value.
4.8 EFFICIENCY INDICATORS: PRODUCTIVITY AND PERFORMANCE INDICATORS OF HUMAN RESOURCES

Hard to define, and even harder to measure, intangible assets are becoming increasingly essential to the success of many enterprises in 21\textsuperscript{st} century. Human resources are the vital resources and assets of an enterprise. Business invests in resources for the fulfillment of the organizational goals. Therefore, it is necessary that the accounting system must provide some useful data to check the profitability and efficiency of resources engaged or employed in the enterprise.

In order to evaluate the disclosure practices related to human resource accounting followed by different public enterprises, and to check the usefulness of the same, systematic efforts have been made to check the disclosure made under different titles for the HRA. In order to evaluate the quality of disclosure related to profitability and efficiency or performance indicated by each enterprise, ratios were identified from the literature survey and the annual reports of the enterprises following HRA practice.

These ratios are short listed from the information provided by public enterprises following HRA practice. In India, it is not mandatory as well as no any accounting standard or guideline is yet issued by any statutory bodies regarding HRA disclosure or reporting. Therefore, different public enterprises follow different practices for the valuation and reporting of human resource of the enterprise.

Thus, efficiency and profitability (productivity and performance) indicator ratios commonly disclosed by different public enterprises were short listed for a future analysis as under:
(i) Presentation of Human Resource Value.
(ii) Ratio of Human resources to Total Resources.
(iii) Ratio of HRV to Fixed Assets.
(iv) Ratio of Value Added to Fixed Assets.
(v) Ratio of Value Added to HRV.
(vi) Ratio of Value Added to Total Resources.
(vii) Ratio of HRV to Value Added.
(viii) Ratio of Turnover to Total Resource.
(ix) Ratio of Turnover to HRV.
(x) Ratio Manpower Cost to HRV.
(xi) Ratio of Return on HRV.

Table – 4.7

Number of Ratios Reported by Selected Public Enterprises in India up to March 2009

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Public Enterprise</th>
<th>HRV per Employee</th>
<th>HRV to Total Resource</th>
<th>HRV to Fixed Assets</th>
<th>VAD to Fixed Assets</th>
<th>VAD to HRV</th>
<th>VAD to Total Resource</th>
<th>HRV to Value Added</th>
<th>Turnover to Total Resource</th>
<th>Turnover to HRV</th>
<th>Manpower Cost to HRV</th>
<th>Return on HRV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ONGC</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>HPCL</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>CCI</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>KRL</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>OIL</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009
Number of Ratios reported by Selected Public Enterprises in India up to March 2009

Graph – 4.1

Table 4.7 consists of the number of ratios reported by public enterprises in India up to March 2009.

It is clear that when it comes to the disclosure related to the efficiency and profitability indicators, public enterprises have shown least interest. It is found that ONGC had reported two ratios, HPCL had reported three ratios and CCI had reported only one ratio. While two public enterprises KRL & OIL had not reported even a single ratio.

Even when it comes to the disclosure resulted to the efficiency and productivity measuring ratios, the results were very surprising. The results regarding the analysis of a number of ratios calculated and reported as a part of disclosed information under the heading “HR Accounting” is most disturbing.
The poor performance of Indian public enterprises was demonstrated when all analysis of the disclosure related to ratios, indicating the profitability and efficiency of human resources – a valuable asset of an enterprise, was carried out. In the past the public sector giant BHEL had reported the maximum ratios that is nine.

**Variables Disclosed**

In all eighteen variables were identified, to evaluate the quality of disclosure related to profitability and efficiency made by each enterprises. Even though all variables are not equally important, for the analysis purpose, all variables were given equal weight. Each variable was assigned one point. If an enterprise did not disclose a value for any of the variable, it was not given any point as far as that variable was concerned. Points were assigned individually to enterprises as well as to variables.

Thus an analysis has been carried out by preparing the two score sheets:

(i) Score sheet for public enterprises

(ii) Score sheet for variables.

The detailed of the variables considered by different public enterprises is carried out and results of the same are presented in the following table.
Table 4.8 discloses that among five public enterprises under the study HPCL provided leadership in providing the maximum information under the head HR accounting.

Out of eighteen variables, HPCL reported ten variables. The ONGC followed HPCL with nine variables and KRL & CCI stood third with reporting seven variables.

OIL had reported four variables and KRL had reported the least variables that is two and stood last in reporting HRA.

In the second step, the analysis of different individual variables is undertaken to find out the disclosure practices followed by the Indian public enterprise. The main purpose is to find out the usefulness of the information published by the different enterprises.

The below table analyses individual variables considered by different enterprises for the disclosure in the human resource accounting section. The results of the same analysis are presented in the figures given below in the table.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Identified Variable</th>
<th>Number of Variables Reported by Public Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Valuation Model Used</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Discount Rate Applied</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Age Wise Distribution of Employees</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Cataloguing of Employees</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Total Number of Employees</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>Group Wise HRV</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Total HRV</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>HRV per Employee</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>HRV to Total Resources</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>HRV to Fixed Assets</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Value Added to Fixed Assets</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Value Added to HRV</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Value Added to Total Resources</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>HRV to Value Added</td>
<td>0</td>
</tr>
<tr>
<td>15</td>
<td>Turnover to Total Resources</td>
<td>0</td>
</tr>
<tr>
<td>16</td>
<td>Turnover to HRV</td>
<td>0</td>
</tr>
<tr>
<td>17</td>
<td>Manpower Cost to HRV</td>
<td>2</td>
</tr>
<tr>
<td>18</td>
<td>Return on HRV</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Public Enterprises up to March 2009
Table 4.9 indicates number of variables reported by public enterprises in India up to March 2009.

For proper valuation of human resources, a number of valuation models were proposed by a number of researches. Therefore, disclosure of valuation model used and discount rate applied to the future expected earning of an employee both these are of crucial important disclosures.

It is clear from above that Indian public enterprises are not serious in HRA reporting.

In the present study all the public enterprises had reported HR valuation model.

The basic information which affects human resource value much is discount rate. Out of five public enterprises under the study, two public enterprises CCI & OIL have not reported the discount rate.

For human resource valuation, economic valuation models are used and for that grouping of employees are necessary.

Thus, building of homogeneous groups is necessary and therefore public enterprises practicising HRA must disclose the number of employee’s group wise as well as total number of employees.

ONGC, HPCL, CCI had reported age wise distribution of employees, while KRL & OIL failed to report age wise distribution.

Cataloguing of employees and their values are disclosed by ONGC, HPCL, CCI & OIL, while KRL failed to report the same.

HPCL had reported maximum 3 ratios, while ONGC had reported only 2 ratios and CCI had reported only 1 ratio. KRL and OIL had not reported a single ratio.
The present study reflects the picture of Indian public enterprises following no common practice in cataloguing of employees and also reflects the uncommon practice followed by the Indian public enterprises in making and disclosing the employee group wise.

The disclosure practices of various public enterprises which publish HRA information show that most of the enterprises have focused on the disclosure of the variables use in the process of valuation.

The variables which can help the users derive logical conclusions regarding the quality and the uses of human resources have attracted too little attention. Thus, the Indian corporate sector has still a long way to go in the field.

Therefore, the above analysis makes it clear that even after following the common methods or model for valuation of human resources, Indian public enterprises do not follow a uniform policy regarding reporting of HRA.

The information about human resource value and accounting is largely unregulated.
4.9 CONCLUSION

Turner 1996, stated about the progress in the development and practices of HRA as: “It has progressed at something less than a snail’s pace in the past two decades.” Providing the world over scenario of HRA progress in India, a very few corporate have accepted and practiced HRA.

Most of the public enterprises have followed the economic valuation model suggested by Lev & Schwartz. Some of them have accepted the refinements suggested by Jaggi, Harmenson and Lau. In India, lots of disparities found in HRA valuation and disclosure practices.

It is found that no uniformity or harmony is followed by Indian public enterprises in disclosure practices, discount rate, division of employees and valuation models.

None of the public enterprises has provided the information regarding human resources as a part of regular financial statements. Out of 23 public enterprises, 20 public enterprises have discontinued the HRA reporting practice. At present only 3 public enterprises ONGC, HPCL & CCI are valuing and reporting HRA.

In India HRA is not seriously considered and reported. Lack of standardized reporting practices makes comparison difficult and diminishes the relevance. From the above discussion it is clear that in India the seriousness in valuation and reporting of human resources is yet to be well developed.
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