CHAPTER – IV

HUMAN RESOURCE ACCOUNTING
PRACTICES IN THE SELECTED PRIVATE
SECTOR UNDERTAKINGS
1. Infosys Technologies Limited

Infosys Technologies Limited introduced Human Resource Accounting from 1995-96. The Lev and Schwartz Human Capital Model is consulted for evaluating the Human Assets. The employees future earnings are considered as a reasonable measure of the Human Asset Value. The employees of the company are not divided into different categories. The company does not display age-wise and category-wise number of employees. The annual earnings are adjusted at variable rates ranging from 17.17 to 27.97 per cent discount factor to determine the Human Capital Value.

Infosys Technologies Limited has approximately 36,800 employees as on March 31st 2005. Including 34,400 IT professionals. The company employed approximately 25,700 employees as on March 31st 2004 including 22,100 IT professionals. The company had approximately 15,900 employees as on March 31st 2003 including 14,000 IT professionals. The Company seeks to attract and motivate IT professionals by offering

1. An entrepreneurial environment that empowers IT-professionals;
2. Programme that recognize and reward performance;
3. Challenging assignments;
4. Constant exposure to new skills and technologies; and
5. A culture that emphasizes openness, integrity and respect for the employee.
The Company does not have a collective bargaining agreement with any of the employees. The company's professionals are the most important assets. The company believes that the quality and level of service that professionals deliver are among the highest in the global technology services industry. The company is committed to remain among the industry's leading employers. In 2004 company was ranked second in Dataquest India's list of the best employers for the IT industry in India. In 2004, 'Computer World' ranked Infosys Technologies Limited as one of the 100 best places to work for IT professionals. During 2005 company recorded approximately 11,100 new hires, net of attrition. Culture and reputation as a leader in the technology services industry enables it to recruit and retain the best available talent in India.

The company provides various loans to employees in India who are not executive officers or directors. The loans include car loans, home loans, personal computer loans, telephone loans, medical loans, marriage loans, personal loans, salary advances, education loans and loans for rental deposits. All of the loans, except for the housing and car loans, are available to all of company employees, who are not executive officers or directors, in India. Housing and car loans are available only to middle level managers, senior managers and non-executive officers. The loan programme is designed to assist employees and increase employee satisfaction. These loans are generally collateralized against the assets of the loan and the terms of the loans range from 1 to 100 months. The annual rates of interest for these loans vary between 0% and 4%. Loans aggregating $25 million and $27
million were outstanding as on March 31, 2005 and 2004. During 2004, discontinued fresh disbursements under several of these loan schemes including housing and car loans.

'Revenues $1,592 million for the year ended March 31\textsuperscript{st}, 2005. Revenues grew from $414 million in fiscal year 2001 to $1,592 million in fiscal year 2005, representing a compound annual growth rate of 40.0%. Net income grew from $132 million to $419 million during the same period, representing a compound annual growth rate of 33.5% between March 31\textsuperscript{st} 2001 and March 31\textsuperscript{st} 2005. The company's total employees grew from approximately 9,800 to approximately 36,800, representing a compound annual growth rate of 39.2%. The company developed a sophisticated project management methodology to ensure timely, consistent and accurate delivery of superior quality solutions to maintain a high level of client satisfaction.

The company's gross profit was $688 million for fiscal year 2005. Representing an increase of $228 million, or 49.6% over gross profit of $460 million for fiscal year 2004. As a percentage of revenues, gross profit decreased to 43.2% for fiscal year 2005 from 43.3% for fiscal year 2004. The decrease is attributable to a 49.8% increase in revenues for fiscal year 2005 offset by a 49.9% increase in cost of revenues in the same period compared to fiscal year 2004.

The company's net income was $419 million for fiscal year 2005 representing an increase of $149 million, or 55.2% over net income of $270 million for fiscal year 2004.
As a percentage of total revenues, net income increased to 26.3% for fiscal year 2005 from 25.4% for fiscal year 2004.

In fiscal year 2005 and fiscal year 2004 the company paid cash dividends of approximately $0.75% and $0.16% per equity share, respectively. Although company has no current intention to discontinue dividend payments, future dividends may not be declared or paid and the amount, if any, thereof may be decreased.

2. Tata Motors Limited

The Monetary Value of Human Resources has been reported by M/s. Tata Engineering and Locomotive Company Limited (TELCO). The Company now renamed Tata Motors Limited. Tata Motors Limited entered into a three year wage settlement with its union at Pune (Car Plant), Jamshedpur and Mumbai. A cordial industrial relations environment prevailed in all the manufacturing units of the company. The permanent employee strength of the company as on March 31, 2005 was 22,014, while that of the company’s subsidiaries was 6,009. The Company received commendation as one of the top 10 “Best Employers” ranking 6th in the country in a survey carried out by Hewitt Associates.

The permanent employee strength of the company as on March 31, 2005 was 22,014 while that of the company’s subsidiaries was 6009. Employees for the last 5 years in Tata Motors Limited can be explained with the help of table and bar diagram.
The company employees for the last 5 years as follows.

**TABLE 4.1**

Employees for the Last Five Years in Tata Motors

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>Employees in Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001</td>
<td>24,000</td>
</tr>
<tr>
<td>2</td>
<td>2002</td>
<td>22,000</td>
</tr>
<tr>
<td>3</td>
<td>2003</td>
<td>22,000</td>
</tr>
<tr>
<td>4</td>
<td>2004</td>
<td>21,000</td>
</tr>
<tr>
<td>5</td>
<td>2005</td>
<td>22,000</td>
</tr>
</tbody>
</table>

Source: Annual Report 2004-05, Page No. 115

**Fig:1** Graph Showing Number of Employees for the Last Five Years in Tata Motors

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Being a signatory to the United Nations' Global Compact, the company has taken various community and social initiatives on human rights, labour and environment standards to ensure compliance with the principles of the Global Compact in letter and spirit. Through its own various community centers, as also those jointly undertaken with the Tata Council for Community Initiatives, the company continues its active role in community development, serving rural communities surrounding the company's Jamshedpur, Pune and Lucknow Works.

Besides the continuing community initiatives undertaken at the plants, some of the significant new initiatives taken up by the company during the year 2004 include:

a. Donation for the relief activities in the disaster-struck areas of India during the Tsunami that ravaged life and livelihood in Southern India. The company and its employees as well as the company's subsidiaries and their respective employees have donated in cash and kind for rehabilitation in the affected areas, besides employee participation in the affected areas. The company's / employees contribution aggregated Rs.3 Crores as also donated 3 Tata 207 DI pick-ups. Their contribution and participation in the relief activities have been channeled through the Tata Relief Committee.

b. Rainwater Harvesting during the year 2004 monsoon season, rainwater was harvested at the company's Pune works and blended with water supplied to the
plant for reuse in the process. 48,200 cubic meters of rainwater was harvested, which has set a benchmark in resource conservation.

c. Eco-friendly solid waste management Bio-degradable solid wastes such as kitchen waste are disposed by 'aerobic vermicomposting' process within the Pune premises. It is capable of handling upto 4.5 MT of waste per day, which is converted into rich organic manure.

d. Bio-Diesel Program the company introduced a fleet of 43 buses plying in and around Pune on bio-diesel fuel and in conjunction with Indian Oil Corporation is working on a similar programme for the Indica.

e. Awarding 122 children 'Golden Jubilee Scholarships' and selection of 16 children for the 'Hitachi Award' at Jamshedpur. At Pune, 13 aptitude tests and more than 15 vocational guidance programmes were organized in co-ordination with regional vocational guidance centers and community development centers. A Teachers' Development Programme was launched for high school teachers in Pune.

f. Tree Plantation on community and individual waste land more than 45,000 saplings were planted in different areas of Uttar Pradesh, Jharkhand and Maharashtra.

g. Programmes are being conducted at Pune, Jamshedpur and Lucknow for Women's empowerment where women are trained in the basics of skills development and home maintenance and income generation, to enable them to be self-reliant.
In recognition of the above initiatives, the company was best owed with the ‘Golden Peacock Award’ for Corporate Social Responsibility (Private Sector) for the year 2004.

Industrial Relations at all the works of the company remained cordial throughout the year. The company entered into a three year wage settlement with its Union at Pune (Car Plant) and the Jamshedpur Works (effective April 1, 2004) and with the Employees’ Association at Mumbai (effective January 1, 2004).

Overall Sales Volume at 3,99,566 vehicles and turnover at Rs.20,648.66 Crores were around 27% and 33% higher than in 2003-04 and the company continued to be the largest Indian automotive company in terms of revenue. It continued to be the largest commercial vehicle manufacturer and the second largest passenger vehicle manufacturer in India with enhanced market shares of 59.7% and 16.9%, respectively. Export Volumes at 30,497 vehicles were 38% higher than the previous year 2003-04. Operating Profit at Rs.2,171.09 Crores increased by 15% over the previous year 2003-04. The Company achieved a cost reduction of Rs. 158 Crores during the period under review which together with the vehicle price increase, partially offset the said increase in input costs. The Profit Before Tax was Rs.1,651.90 Crores, higher by 27.8% as against Rs.1,292.34 Crores in Financial Year 2003-04.

Considering the company’s financial performance, the directors propose payment of a dividend of Rs.10 /- per share plus a special dividend of Rs.2.50 per share for the
diamond jubilee year (making a total dividend of Rs.12.50 per share) on 36,17,51,751 ordinary shares and any further shares that may be allotted by the company on conversion of notes prior to June 27, 2005 (being the book closure date for the purpose of dividend entitlement) for the year 2004-05 (Previous year–Rs. 8/- per share).

The board of directors is comprised of twelve directors out of which nine are Non-Executive directors. The company has a Non-Executive chairman and more than one third of the total strength of the board comprises independent directors. The day-to-day operations of the company are being overseen by Ratan N Tata as a member of the committee of directors, comprising himself and Gopalakrishnan. None of the directors on the company’s board is a member on more than ten committees and chairman of more than five committees across all the companies in which he is a director.

3. Infotech

Chairman and Managing Director B.V.R. Mohan Reddy in his chairman speech states people have been the single most important asset of this Company has and we continue to place high importance on aligning our Human Resources with the evolving profile of the business. The focus was on improving associate contribution in line with higher value addition offered to customers. We have recruited over 400 engineers, apart from 600 people who have joined Infotech family through Tele Atlas India Acquisition. This year, we further strengthened our High Performers Club Initiatives to recognize, reward and develop high performers, initiated higher education schemes and entered into
Memorandum of Understanding with highly reputed academic institutions like IIT Chennai and Jawaharlal Nehru Technological University, and improved the overall Human Resource centricity.

The Company present some of the key indicators of performance from the Human Resources Perspective. Human Resources at Infotech plays a strategic role and supports the organisation and its various components in achieving various goals and targets set by deploying best practices and measures.

During the year 2004 under review the company has taken several Human Resources initiatives to retain, train and develop the talent pool company have. The company has also taken up a root cause analysis on bringing down the attrition rates.

In endeavor to retain the best talent against fierce competition, the following initiatives were taken

a. Identified critical associates and implemented compensation rationalizations based on the market trends in those critical areas.

b. Enhanced focus on training the associates covering technical, communication and behavioral aspects.

c. Realizing the fact that reaching and serving the associates is possible only through a virtual delivery system a separate portal has been launched titled “Human Resource Online” and virtualized processes like recruitment process, leave management system, attendance regularization, medical reimbursement, resource
management system and also hosted number of interactive pages with Human Resources policies and procedures in static form.

d. Recognizing the aspiration of associate to enhance their academic credentials an Memorandum of Understanding was entered with Jawaharlal Nehru Technological University for three Master’s programs in three batches and also got an accreditation from IIT Madras for external MS and PhD courses. A policy was introduced on Higher Education to encourage and reward the associates who are pursuing higher education in their domain.

Infotech currently employs over 3000 professionals across an expounding global foot print of 17 locations including 5 development facilities in Hyderabad, Bangalore, Noida in India, Frort Burg in Maryland, USA and Manager in puearto Pico. The company customers include some of the most recognized names in aerospace, rail, telecommunications, utilities, mapping industries and the government. Infotech’s offices in the USA, UK, Germany, Australia, Singapore and the Netherland provide local customer interface, project management and delivery support.

People are considered to be the key resource for growth of a company. Infotech has always believed in providing a favourable work environment to its associates (employee’s are designated as associates) along with balanced compensation package. This ensures innovation and creativity towards the work and helps the company retain the talent over the years.
During the year 2005, the attrition rate of the company stood at 18.3% as compared to previous year 2004, 33.7%. The fall in attrition represents the interest of the associates towards their work and focus of the Human Resources department to provide maximum satisfaction.

During the year 2005, apart from continuation of the High Performers Club (HPC) were in associates are identified and groomed to take up leadership and general management positions, the company also entered into a Memorandum of Understanding with Jawaharlal Nehru Technological University (JNTU) to offer masters programmes in various disciplines to its associates.

4. Reliance Industries Limited

Reliance stress on quality of life. The company is building with care, a workplace that proactively fosters professional as well as personal growth. There is freedom to explore and learn; and there are opportunities that inspire initiative and intrinsic motivation. The company believe that people must dream to achieve, that these dreams will drive the company’s excellence in all its businesses.

Reliance thinks, behaves, lives and thrives with a global mindset, encouraging every employee to reach his / her full potential by availing opportunities that arise across the group.

a. With presence in 36 countries, Reliance offers global opportunities.
b. With steady organic growth and consolidation of businesses, Reliance offers possibilities for cross-organisation, cross-discipline and cross-country career opportunities.

The company total manpower strength as on 31st March 2005 was 12,113. The table shows number of employees for the last 10 years in reliance industries limited.

**TABLE 4.2**

*No. of Employees for the last 10 years in RIL*

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year</th>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1995-1996</td>
<td>14,255</td>
</tr>
<tr>
<td>2</td>
<td>1996-1997</td>
<td>16,778</td>
</tr>
<tr>
<td>3</td>
<td>1997-1998</td>
<td>17,375</td>
</tr>
<tr>
<td>4</td>
<td>1998-1999</td>
<td>16,640</td>
</tr>
<tr>
<td>5</td>
<td>1999-2000</td>
<td>15,912</td>
</tr>
<tr>
<td>6</td>
<td>2000-2001</td>
<td>15,083</td>
</tr>
<tr>
<td>7</td>
<td>2001-2002</td>
<td>12,864</td>
</tr>
<tr>
<td>8</td>
<td>2002-2003</td>
<td>12,915</td>
</tr>
<tr>
<td>9</td>
<td>2003-2004</td>
<td>11,358</td>
</tr>
<tr>
<td>10</td>
<td>2004-2005</td>
<td>12,113</td>
</tr>
</tbody>
</table>

Source: Annual Report 2004-05 Page No. 5
Reliance now (2004-05) have 12,113 employees with an average age of 37 years. Programmes for training and capacity building are given prime importance. This endeavour targets the technical and professional growth of employees.

a. Reliance is associated with the Indian Institute of Management (IIM), Bangalore and the Indian Institute of Technology (IIT), Bombay. The company sponsored the participation of over 250 engineers in a Customised Management Course – MPRE (Management Program for Reliance Engineers) at IIM-Bangalore.

b. Company sponsored 91 science graduates and diploma holders to complete a Reliance Certified Engineering course with IIT-Bombay.

c. Reliance conducted over 1,60,000 man-hours of training and 1,448 training programmes, covering 7,919 employees. The Company also supported development of all other employees with a highly scientific Key Result Area (KRA) based performance management system and career mapping exercises.

d. Reliance has embarked on developing a performance linked incentive scheme for all its employees with the assistance of reputed international consultants.

e. The Company also started a ‘Manufacturing Leadership Programme’ for its senior executives from manufacturing, in association with Hewitt Associates.
In the Chairman’s Message Chairman D.V.S. Raju states employees are the key assets to any service-oriented Company. Your company strongly believes in building up the company by making the employees as its stakeholders. The company has adopted best Human Resources Practices to recruit the best of the talent and retain them. Your company has created a healthy work atmosphere for retention of its employees. Apart from above initiatives, the company believes in contributing to the society. To this extent, your company encourages the employees collectively to participate in all social activities within their limited means. With its expertise acquired in the business and with relentless efforts, your company has been able to attract the best of the resources both in India and abroad to provide the right combination of services to the customers according to their needs and expectations.

The company adopts a consistent quality practice throughout the organisation. The company will continue to adopt the best of the quality processes both in software development as well as in people management.

Human Resources Department continues to be the important division of the company. It provides continuous feedstock for the company by way of quality and timely manpower for achieving the desired growth rates.
The company has an effective Human Resources Department team, which performs the functions in an effective manner. The company has an in-house training department, which focuses on training the employees on various technologies and building a knowledge base for the company. Apart from technical skills, the Human Resources team also focuses on imparting various soft skills to the employees.

The company does salary revision and fitment on an annual basis. Efforts are made continuously to enhance the value of relationship with its employees by creating a healthy and friendly work environment with a win-win situation for the employees and the company at large. With continued efforts, the company is optimistic of reaping the best results from its Human Assets in the years to come.

The company recognizes Human Resources as the backbone for its long-term success and provides a challenging work environment and experience to its employees. The company strongly believes in nurturing and encouraging Human Resources rather than exploiting them. The prime focus of the company is to enhance the professional value of its employees and create a win-win situation for both the organisation and its employee.

The company continuously strives to retain the best of the talented employees against stiff competition from the industry peers. To this effect, the company has taken effective steps that commensurate with the market trends and provide other benefits to elevate the socio-economic status of its employees.
The company adopts its intranet website as an effective medium for communicating with its employees at all levels. The intranet website facilitates consultations and discussions among the employees to the benefit of all concerned. The personal benefits and the needs are automated through this medium making it a process-oriented system for the employees thus saving their precious time to a considerable extent.

The year 2004-2005 saw the company crossing the milestone of a thousand employees. The company is confident of reaping the best from its talent pool and sharing the benefits with its employees on an equitable basis in the years to come.

The Financial Highlights of the Company are as follows:

### TABLE 4.3

Financial Highlights of the VisualSoft Technologies Limited

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year ended 31-03-2004 (Rs. in lakhs)</th>
<th>Year ended 31-03-2005 (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>15,556.59</td>
<td>19,287.07</td>
</tr>
<tr>
<td>Operating profit</td>
<td>5,365.41</td>
<td>4,903.44</td>
</tr>
<tr>
<td>Less: Interest</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less: Depreciation</td>
<td>1,428.54</td>
<td>1,914.84</td>
</tr>
<tr>
<td>Profit before Taxation</td>
<td>3,938.87</td>
<td>2,988.60</td>
</tr>
<tr>
<td>Less: Provision for Taxation</td>
<td>180.72</td>
<td>155.00</td>
</tr>
<tr>
<td>Profit after Taxation</td>
<td>3,758.15</td>
<td>2,833.60</td>
</tr>
<tr>
<td>Surplus brought forward</td>
<td></td>
<td></td>
</tr>
<tr>
<td>From the previous year</td>
<td>12,927.63</td>
<td>15,722.86</td>
</tr>
<tr>
<td>Transferred to General Reserve</td>
<td>400.00</td>
<td>300.00</td>
</tr>
</tbody>
</table>
The company's total revenue stood at Rs.19,287.07 lakhs during the year 2005 as against the previous year 2004 revenue of Rs.15,556.59 lakhs, thus registering a growth of 24% over the previous year 2004. The net profit after tax was Rs.2,833.60 lakhs during the year 2005. There has been a negative contribution from the Business Process Organisation segment during the year 2005, as it was in the initial stages of operation. The company is confident of ramping up this business segment, so as to reduce the negative contribution.

The company directors recommend a dividend of Rs.2.50 per share on equity shares of the company for the year ended March 31, 2005.
REFERENCES


