AN OPERATION PROFILE OF THE COMPANY
CHAPTER - III
AN OPERATIONAL PROFILE OF THE COMPANY

3.1: INTRODUCTION

This chapter aims at providing an operational profile of the sample unit MICO Industries Ltd, Bangalore. For the purpose of clarity the whole chapter is divided in two parts—Part-I throws light on an overview of Indian Automobile Industry, its role on Indian economy, its growth and performance in India. Part – II focuses on brief profile of the sample unit. It makes an attempt to throw light on mission statement, objectives of MICO in India, its market share and functional areas in the Organization namely Human Resource Department, Purchase Department, Research and Development, Finance Department, Costing Department, Information Systems Department. It also focuses on strategies adopted for creating customers’ loyalty and product profile of the sample unit.

3.2: INDIAN AUTOMOTIVE INDUSTRY- AN OVERVIEW

The progress of the Indian economy is highly dependent on the growth of the industries, which in turn has been favoured and supported by the development of the transport facilities in the country. Realising and accepting this necessity, de-licensing and opening of the sector to FDI was initiated by the government in 1993, thus creating great advances in the automotive industry comprising of the automobile and the auto component sectors resulting in an investment in the industry exceeding Rs.50,000 crores. The turnover of the automobile industry including auto component industry exceeded Rs.59,558 crore in 1999-2000. The industry provides direct employment to 4.5 lakhs and generates indirect employment of one crore. The contribution of the automotive industry to
GDP has risen from 2.77 per cent in 1992-93 to 4.0 per cent in 1998-99. India ranks second in the production of two wheelers and fifth in commercial vehicles.

Automotive components manufactured in India are of top quality and used as original components for vehicles made by top international companies such as General Motors, Mercedes and IVECO among others. Euro-I emission norms have already been made applicable throughout the country and Indian is poised to induct Euro-II norms across the country by April 2005. From that date, seven metropolitan cities are going to switch over to Euro-III norms. To meet these emerging challenges of newer emission norms Indian automobile industry has already braced itself up with new investment and fresh technological induction. In addition, vehicle manufacturers will also be considered for a rebate on the applicable excise duty for every one per cent of the gross turnover of the company expended during the year on Research and Development carried either in-house under a distinct dedicated entity, faculty or division within the company assessed as competent and qualified for the purpose or in any other R and D institution in the country. This would include R and D leading to adoption of low emission technologies and energy saving devices.

The study increase in the fuel prices has also increased the investment on R and D by automotive companies in their attempt to produce energy saving devices to meet the customer demands and at the same time creating competitive advantage also. The demand has been increasing alarmingly as the number of people who use personal transportation has increased. Since there are only few companies in the field of the manufacturing of the diesel fuel injection equipments, the
industry is striving hard to meet the increasing demands of the customers. Thus it proves to be an advantage as well as disadvantage to the companies.

The auto component industry appears to have a bright future with the existing manufacturers planning capacity addition. Moreover, new plants are being set up with foreign collaborators.

The Indian auto components industry is highly fragmented, with over 300 players in the organized sector and estimated 5,000 units in the small sector. Locationally, the industry has developed around major vehicle manufacturing centres. It is estimated that 36 per cent of the units in the organized sector are in western India, 35 per cent in the South, 26 per cent in the North and 3 per cent in Eastern India.

Small and Medium Enterprises (SME) sector is keen on taking a number of technology investment initiatives in order to become self-reliant and globally competitive, according to a Confederation of Indian Industry (CII) survey report on Auto-Component SME's.

India's automotive component industry manufactures the entire range of parts required by the domestic automobile industry and currently employ about 2,50,000 persons. Auto component manufacturers supply to two kinds of buyers – Original Equipment Manufacturers (OEM) and the replacement market. The replacement market is characterized by the presence of several small-scale suppliers who score over the organized players in terms of excise duty exemptions and lower overheads. The demand from the OEM market, on the other hand, is dependent on the demand for new vehicles.

The last few months have seen a virtual boom in the Indian automobile industry with not only domestic component manufacturers
crossing shores but the formidable biggies (Big Company) also entering India which is increasingly turning out to be a lucrative destination for many companies.

However, notwithstanding the success, India is still a small player in the global ocean of auto components: it accounted for a mere one per cent of the global business, with exports of $800 million in Financial Year 2003. The figure is expected to rise to around 3.0 billion by the end of Financial Year 2008, according to the Automobile Component Manufacturers' Association (ACMA). Considering that global trade in auto components at the beginning of the decade was about $250 billion, there is a completely big market waiting to be conquered.

Encouraged by the growing competitiveness of the Indian automotive component sector, automotive component manufacturers, under the ages of the Automotive Component Manufacturers Association of India (ACMA), are now looking at exploring new market opportunities in Russia.

According to ACMA, Russia represents a fast growing market for automotive products and is likely to become one of the world's largest automotive markets in the next 15 to 20 years. In fact, a recent Goldman Sachs report has said that Russia, India, Brazil and China would constitute the centre of gravity of world trade by 2020. This is expected to open up vast areas of opportunities for Indian and Russian automotive component manufacturers in the area of joint ventures, partnerships and building of close business linkages.

Major Russian vehicle manufacturers such as KAMAZ, Lada and GAZ have shown keen interest in sourcing automotive components from India and in catalyzing JV's and technology tie-ups in component
manufacturing activity. Be it Europe's second-largest bike maker Aprilia or carmakers Hyundai Motor Corp and Daimler Chrysler, 'Destination India' seems to be the buzz in the automobile sector with global companies shifting manufacturing here to leverage the cheap, but high-quality labour.

The information relating to share of Indian Automotive industry is shown in the following table.

Table 3.1: Auto Component Manufacturing Base in India

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Particulars</th>
<th>Share (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Engine and Engine parts</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Electrical parts</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>Drive Transmission and building</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>Suspension and braking</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Equipment</td>
<td>08</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: www.yahoo.com

Above table shows that, large auto component manufacturing base in India contributes 20 per cent to suspension and braking, 15 per cent towards electrical parts, 12 per cent to engine and engine parts and drive transmission and building each and others 33 per cent. This shows that Indian auto component-manufacturing base largely contributes to others.
3.3: INTRODUCTION OF BOSCH

All around the world, the name of Bosch stands for competence, quality and reliability. The "Workshop for Precision Mechanics and Electrical Engineering" that Robert Bosch founded in Stuttgart, Germany, in 1886, has grown in the course of more than one hundred years to become a true global player. Today there are a total of 218 subsidiaries, of which 34 are domestic and the remaining 184 are situated outside Germany.

From the workshop opened by the company's founder Robert Bosch in Stuttgart in 1886, Bosch has grown into one of Germany's largest industrial enterprises. In 2001, the company posted sales of approximately 34 billion Euros.
Chart 3.1
Business Sectors of the BOSCH Group

BOSCH GROUP

AUTOMOTIVE TECHNOLOGY

INDUSTRIAL TECHNOLOGY

CONSUMER GOODS AND BUILDING TECHNOLOGY

Source: www.micoboschindia.com

3.3.1: Milestones in Automotive Technology of Bosch Group

Milestones that Bosch Group achieved since its inception is shown in the following chart.

Table 3.2: Milestones in Automotive Technology of Bosch Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestone (Description)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1897</td>
<td>Low-voltage magneto for vehicles</td>
</tr>
<tr>
<td>1902</td>
<td>High-voltage magneto for vehicles with spark plug</td>
</tr>
<tr>
<td>1927</td>
<td>Diesel fuel-injection pump</td>
</tr>
<tr>
<td>1951</td>
<td>Gasoline fuel-injection pump</td>
</tr>
<tr>
<td>1967</td>
<td>Electronically controlled gasoline fuel injection (Jetronic)</td>
</tr>
<tr>
<td>1976</td>
<td>Lambda oxygen sensor</td>
</tr>
<tr>
<td>1978</td>
<td>Antilock Braking System (ABS)</td>
</tr>
<tr>
<td>1986</td>
<td>Electronic Diesel Control (EDC); Traction Control (TCS)</td>
</tr>
<tr>
<td>1991</td>
<td>Controller Area Network (CAN)</td>
</tr>
<tr>
<td>1995</td>
<td>Electronic Stability Program (ESP);</td>
</tr>
</tbody>
</table>

Source: www.micoboschindia.com

The Bosch Group employs approximately 2,32,000 people in more than 50 countries. Every day, employees at Bosch Group work towards
improving their technical standards and thereby improve the future. By inventing, improving and refining electronics and mechanics, modern technology supports people in everyday life, making it far more comfortable, varied and often more entertaining. Research and Development is a core activity and a part of life at Bosch. The innovative drive and the ability to manufacture technologically advanced products in large series are the mainstays of BOSCH’s success.

3.3.2: Products and Services

Bosch offers a very broad range of products and services that make personal and professional life easier and safer – from ignition plugs through washing machines to fire alarm systems.

3.3.3: Household Appliances

For generations, the Bosch brand has stood for quality, new technology and design. We produce everything that makes housework easier – from cooker hoods and microwave ovens to washing machines.

3.3.4: Car parts and Accessories

Bosch is a world-leading automotive supplier. Drivers and automotive professionals rely on our products and services to make driving easier, safer and more environment-friendly.

3.3.5: Thermo technology

Bosch offers a wide range of system solutions and variants for hot water and heating for homes, basements and roofs.
3.3.6: Security Systems

Bosch offers security technology products and services that provide effective protection against every kind of undesired event – from alarm and tracking systems to professional security staff.

3.3.7: Packaging Technology

In many countries around the world, Bosch develops state-of-the-art-packaging technology for the food and beverage, pharmaceutical, chemical technology and cosmetics industries.

3.3.8: Power tools for Trade and Industry

Bosch powers tools for professionals and DIY enthusiasts offer first-rate technology and user-friendliness for easy and efficient operation. By applying the latest technologies in power tool construction and development, Bosch ensures exceptional quality and performance.

3.3.9: Automotive Technology for the future

Innovations from Bosch have shaped automotive history. As the world's biggest independent automotive supplier, we do a lot to ensure that driving keeps becoming cleaner, safer and more economical – from state-of-the-art technology to good entertainment and professional garage check-ups.

The Bosch Group demonstrates its competence as a supplier of cutting-edge technology with a number of new developments and processes in all sectors of its activities.

The Bosch Group is working in Germany as well as outside Germany and has wide network coverage in world market. The Group has sound financial position and key data showing operating performance is shown in the following table.
Table 3.3: Key data of the Bosch Group for the year 2006

<table>
<thead>
<tr>
<th>Key data</th>
<th>Amount (in million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>36,400</td>
</tr>
<tr>
<td>Sales outside Germany as per cent of total</td>
<td>71%</td>
</tr>
<tr>
<td>Average number of associates</td>
<td>2,25,900</td>
</tr>
<tr>
<td>In Germany</td>
<td>1,05,600</td>
</tr>
<tr>
<td>Outside Germany</td>
<td>1,23,800</td>
</tr>
<tr>
<td>Investments in tangible fixed assets</td>
<td>2,000</td>
</tr>
<tr>
<td>Expenditures for research and development</td>
<td>2,700</td>
</tr>
<tr>
<td>Net income</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Source: www.micoboschindia.com

The above table reveals that the total sales of the Bosch Group in the year amounts 36,400-euro dollars and sales outside Germany counts 71 per cent. Average number of associates of the group is 2,25,900 and the company spent 2,700-euro dollars for research and development activities in one year. Its net income amounts 1,100-euro dollars after making all appropriations.

3.3.10: People

They have qualified professionals who work on state-of-the-art infrastructure and technology. Employee Development is their key priority. Assessment of skills backed up by focussed training helps employees to mature their skills.

3.3.11: Technology

They work in leading–edge technology areas and focus on the application of this technology to business needs. Their association with Bosch helps them in adopting a structured methodology to learn new
technology and its application thereafter. Their future-focused approach ensures that you are way ahead of others in terms of technology.

3.3.12: Infrastructure

Their infrastructure is one of the best in the country. Individual workplaces designed as per international standards provide an environment that one can be proud of. Facilities, such as health care, canteen, sports, are also offered.

3.4: BRIEF OPERATIONAL PROFILE OF MICO

Founded in 1951, Motor Industries Company Ltd. (MICO), a group member of the BOSCH GROUP, is a pioneer and acknowledged leader in Diesel Fuel Injection Equipment and Spark Plugs. Access to “state-of-the-art” technologies from Bosch and a zealous commitment to quality; have made MICO the country’s largest manufacturer of Diesel Fuel Injection Equipment and one among the largest in the world. In addition, MICO manufactures industrial equipment, auto-electrical, hydraulics for industrial and tractor applications, electric power tools, packaging machines and Blaupunkt car multimedia systems. MICO enjoys monopoly in many of its products, as it is in automobile ancillary industry. Its main clients are Telco, Ashok Leyland, and Maruti–Udyog Ltd. and Mahindra and Mahindra.

With its head office in Bangalore and hi-tech manufacturing facilities in its branches at Naganathapura (near Bangalore), Nashik and Jaipur, MICO manufactures products as diverse as industrial equipment, auto-electricals, hydraulics for industrial and tractor applications, electric power tools, packaging machines, and Blaupunkt car audio systems.
MICO has 800 outlets in both service and sales and have a firm and well-established network. Today MICO is the third largest Manufacturing Centre outside Germany of the BOSCH Group. Bosch is one of the leading automotive companies in the world. MICO is the “Bosch” in India (representative of Bosch products). MICO has 85 per cent market share and its only competitors are LUCAS and TVS.

All around the world, the Bosch name stands for competence and product diversity in the following sectors:

- Automotive equipment
- Power tools and accessories
- Thermos technology
- Household appliances
- Communication
- Automation and packaging machines.

The “Workshops for Precision Engineering and Electrical Engineering” that Robert Bosch founded in Stuttgart, Germany, in 1886 have grown in the course of more than 100 years to become a global player.

### 3.4.1: Milestones of MICO BOSCH

<table>
<thead>
<tr>
<th>Year</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>Construction of the first factory building at Bangalore</td>
</tr>
<tr>
<td>1954</td>
<td>Manufacture of spark plugs, single-cylinder diesel fuel injection pumps and nozzle holders</td>
</tr>
<tr>
<td>1955</td>
<td>Manufacture of elements and delivery valves</td>
</tr>
<tr>
<td>1956</td>
<td>Manufacture of multi-cylinder diesel fuel injection pumps</td>
</tr>
<tr>
<td>1972</td>
<td>Manufacture of nozzles and nozzle-holders at Nashik Pilot Plant</td>
</tr>
<tr>
<td>1974</td>
<td>Production begins at Nashik Plant</td>
</tr>
<tr>
<td>1981</td>
<td>Manufacture of special purpose machines and tools</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>1986</td>
<td>Manufacture of VE Distributor pump</td>
</tr>
<tr>
<td>1990</td>
<td>Naganathpura Plant inaugurated</td>
</tr>
<tr>
<td>1991</td>
<td>MICO becomes the Bosch Global Development Center for Single-Cylinder diesel fuel injection pumps</td>
</tr>
<tr>
<td>1992</td>
<td>Marketing of automotive accessories ISO 9001 Certification for all three plants</td>
</tr>
<tr>
<td>1993</td>
<td>Manufacture of Bosch electric power tools</td>
</tr>
<tr>
<td>1994</td>
<td>Manufacture of packaging machines</td>
</tr>
<tr>
<td>1995</td>
<td>MICO becomes the Bosch global development centre for a Range of Multi-cylinder diesel fuel injection pumps</td>
</tr>
<tr>
<td>1996</td>
<td>Blaupunkt car audio systems launched</td>
</tr>
<tr>
<td>1997</td>
<td>QS 9000 Certification for Bangalore, Nashik Naganathapura Plants</td>
</tr>
<tr>
<td>1998</td>
<td>20 millionth single-cylinder pump produced</td>
</tr>
<tr>
<td>1999</td>
<td>Jaipur Plant inaugurated Manufacture of Blaupunkt car audio systems in India</td>
</tr>
<tr>
<td>2000</td>
<td>MICO Application Center (MAC) inaugurated</td>
</tr>
<tr>
<td>2002</td>
<td>25 millionth single cylinder pumps produced.</td>
</tr>
<tr>
<td></td>
<td>Launch of indigenously developed marble and granite cutter.</td>
</tr>
<tr>
<td></td>
<td>Launch of first Bosch Car Service outlet.</td>
</tr>
<tr>
<td></td>
<td>MICO enters into Communication, Security and Imaging business.</td>
</tr>
<tr>
<td></td>
<td>ISO 9001:2000 certification for industrial equipment, Packing technology and power tools divisions.</td>
</tr>
<tr>
<td></td>
<td>ISO 14001 (Environmental Management Systems) Certification for Bangalore Plant.</td>
</tr>
<tr>
<td>2003</td>
<td>10 Millionth Inline-A pump produced.</td>
</tr>
<tr>
<td></td>
<td>BOSCH Security launched.</td>
</tr>
<tr>
<td></td>
<td>TS16949 certification for all MICO Plants.</td>
</tr>
</tbody>
</table>

Source: www.micoboschindia.com
3.4.2: Mission Statement of MICO – BOSCH

"To delight customers through world-class products as well as a nationwide network of dedicated sales and service outlets, its All-India network is well equipped to provide quick solutions, backed by mobile service workshops, excellent training in maintenance and availability of genuine spares”.

3.4.3: Vision Statement of MICO-BOSCH

"Our aim is to delight our customers through world-class products, services and solutions. Continuous improvement is our way of life and we will work professionally to succeed. We, the employees of MICO, are motivated, informed, and creative and open-minded’.

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3.4.4: ORGANISATION STRUCTURE

**MICO Organisation**

**CODE DESCRIPTION OF THE ORGANISATION STRUCTURE**

- **LF** - Joint Director (Manufacturing)
- **LK** - Joint Director (Commercial)
- **SAA** - Sales Automotive After-market
- **VT/PL** - Packaging
- **EB/PL** - Energy System
- **COM** - Corporate Communication
- **CEP** - Corporate Engineering and Building Projects
- **BanW/QSG** - Quality Assurance
- **NhW/QSG** - Plant Assurance (Naganathapura)
- **RMB/QSG** - Special Purpose Machines and Tool Room
- **JaW/TL** - Technical Plant Management, Manufacturing
- **NaW/KL** - Commercial Plant (Nashik)
- **CDT** - Corporate Direct Taxation
- **CFN** - Corporate Finance
- **CTG** - Corporate Accounting/MIS/Controlling
- **ISY** - Information Systems
- **P.I-SAP** - Project SAP
- **SRD** - Automotive Equipment and Hydraulics
- **EW/PL** - Power Tools
- **SXE** - Exports
- **SP/PL** - Spark Plug and Glow Equipment
- **ST/PL** - Security/Technology
- **QAL** - Corporate Quality
- **NaW/QSG** - Plant Assurance (Nashik)
- **JaW/QAE** - Plant Assurance (Jaipur)
- **BanW/TL** - Technical Plant Management, Manufacturing
- **NaW/TL** - Technical Plant Management, Manufacturing
- **BanW/KL** - Commercial Plant (Bangalore)
- **JaW/KL** - Commercial Plant (Jaipur)
- **CEC** - Central Excise, Import Licensing and Customs
- **CPR** - Corporate Personnel and Human Resource
- **ICA** - Internal Commercial Audit
- **SEC** - Legal Council and Company Secretary
- **DSO** - Data Security Officer

*Location NhW HRM 09.03*
3.4.5: UNITS OF MICO IN INDIA

FACTORY:
- BANGALORE
- NASHIK
- NAGANATHPURA
- JAIPUR

SALES OFFICE:
- NEW DELHI
- CHANDIGARH
- MUMBAI
- AHMEDABAD
3.5: HUMAN RESOURCE MANAGEMENT – AN OVERVIEW

Human Resource Management is a philosophy of People Management based on the belief that human resources are uniquely important to sustained business success. An organization gains competitive advantage by using its people effectively, drawing on their expertise and ingenuity to meet clearly defined objective. HRM aims at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies.

HRM is concerned with the effective and efficient use of the organization’s human resources. Any organization needs human resources to run their operations. Hence, they need to attract and hire the best employees possible. One of the functions of Human Resource Management Department is to attract potential employees. Having attracted potential employees, they need to be able to choose the best of these applicants. After having hired employees, they need to train them if they are to function effectively. Furthermore, to ensure that the employees continue to function effectively, they need to be motivated with a good compensation.

3.5.1: HR Mission of MICO

- To develop a talent pool with the competence to take the challenges of the present and future.
- To facilitate improvements in quality and quantity of individual and provide a congenial work environment.

3.5.2: Strategic Objectives of HR Department

- To shift from a supply side role to a pro-active role.
• To align all HRM activities towards cost containment and Performance Management across the organization

3.5.3: Priorities

• Consolidate competency of HRM personnel
• Improve HRM perspective of the business and the different functions by building closer rapport with other functions
• Improve consultancy support on "Human Issues" in department organization building
• Develop achievement oriented culture

3.5.4: HR Plan –focus

MICO HR Plan focuses on the following aspects:

3.5.4.1: Communication

• MICO/HRM page on Intranet
• MIS on HRM activities
• Meeting new employees
• Exit surveys
• Induction/Retirees manual

3.5.4.2: Knowledge Management

• Improve co-ordination with user departments in identification of development needs.
• Follow-up of training inputs
• Training effectiveness
• Application of inputs at work place
• Greater focus on younger age profile
3.5.4.3: Organisational Development

- Develop information bank for advertising on design of department structures for maximum effectiveness
- Study on employees satisfaction
- Benchmarking studies on HR policies/practices

3.5.4.4: Manpower Inventory

- Career plan for high potential
- Succession plan
- Quality improvement in selection/recruitment
- Introduce mentoring culture
- Train Group 7 Promotes
- Developing system for building high performance

3.5.4.5: Training and Development

- Attitude and in-house faculty development
- Improve functional knowledge, job related skills/ perspective development
- Inter-cultural training.
- Out bound exercises to develop team spirit
- Share information and experiences

3.5.4.6: Performance Management

- Install system to enable objection goal setting
- Develop reward systems to distinguish high performers
- Development of junior associates as an important objective
- Develop systems for correction/separation of poor performers
3.5.4.7: Employee Potential Development

- Focus on "Development Discussion" component of PRED
- Potential development to take higher responsibilities
- Promote greater cross-functional mobility (Job Rotation)

3.5.5 : IMPORTANT HR SUB-SYSTEMS

The most important HR sub systems are as follows:

- **Organizational Planning and Development**

  The process of planning and developing an appropriate organizational structure which will ensure effective work performance, fruitful interpersonal relations and formation of homogeneous, cohesive and interacting informal groups.

- **Staffing**

  Staffing is the process of obtaining and maintaining capable and competent personnel to fill all positions in the organization. This includes manpower planning, recruitment, selection, placement, induction and orientation, transfer, promotion and separation.

- **Training and Executive Development**

  Training and executive development is the process of training and developing employees to develop their full potential for optimum efficiency in effective job performance.

- **Motivation**

  Motivation is the process of motivating employees so as to secure their integration with the organization and attain the optimum level of efficiency and effectiveness towards the achievement of organizational goals.
• **Wage and Salary Administration**

It is the process of compensating employees adequately, equitably and fairly. It is concerned with the process of compensation directed towards remunerating employees for services rendered and motivating them to achieve the desired levels of performance. This includes, job evaluation, wage and salary programmes, incentive compensation, performance appraisal.

• **Employee Services**

It is a process of maintaining a healthy and effective human organization. These services include safety, employee counselling, medical services, recreation, canteen and other welfare programmes apart from leave, provident fund, pension and gratuity programmes.

• **Employee Records**

In employee records complete and up to date information is maintained about employees, so that these records may be utilized, if need be, at the time of making transfers / promotions, giving merit pay, or sanctioning leave and at the time of termination of service. Such records include information relating to personal qualifications, special interests, aptitudes, results of tests and interviews, job performance, leave promotions, rewards and penalties.

• **Personnel Research and Personnel Audit**

It is a process of evaluating the effectiveness of personnel programmes policies, procedures, and developing ones that are more appropriate. Data relating to quality, wages, productivity, grievances, absenteeism, labour turnover, strikes, lockouts, accidents etc., are collected and supplied to the top management so that it may review,
alter or improve existing personnel policies, programmes and procedures. Morale and attitude surveys are conducted periodically to evaluate employee's perception of the HR practices in their organization.

- **Labour Relations**

  This means maintenance of healthy and peaceful labour management relations so that production/work may go on undisturbed.

  Grievance handling policy and procedures are developed, after finding the nature and causes of grievances.

  Rules and regulations are framed for the maintenance of discipline in the organization.

  Efforts are made to observe and comply with the labour laws of the country.

**3.5.6: HR POLICIES IN MICO**

1. **Medical**
   - Annual Master Health Check-up
   - Hospitalization Insurance
   - Manipal Hospital Scheme
   - Narayana Hrudralaya Hospital Scheme
   - Medical Reimbursement Scheme

2. **House Related**
   - Furniture Guidelines
   - Refundable House Deposit
   - Minor/Assets Maintenance
3. Educational
- Educational Reimbursement Scheme
- Policy on German Language Course
- Policy on External Training for MICO MandSS Employees
- Membership to Professional Institutions
- Policy on Business Magazine Subscription

4. Loans
- Consumer Durable Loan Guidelines
- Housing Loan Guidelines
- Vehicle Loan Guidelines

5. Other Benefits
- Telephone Guidelines
- Holiday Homes
- Timeshare Holidays
- Vehicle Expense Reimbursement
- Death Relief Scheme

6. Miscellaneous
- Rules and Regulations of Service and Conduct
- PRED
- Leave Rules
- Transfer Rules
- Reimbursement of Conveyance Expenses

3.6: VARIOUS DEPARTMENTS IN MICO

The various departments in MICO are listed below:
3.6.1: Research and Development

MICO is acknowledged as the pioneer and leader in Diesel Fuel Injection technology and Spark Plugs in India. This places on it, the global responsibility of developing certain products like Single Cylinder Pumps, Multi- Cylinder Pumps and Mechanical Distributor Pumps for the entire Bosch Group.

**MICO Research and Development is involved in**

- Design and development of new products from concept to manufacturing
- Manufacture and Testing of proto samples
- Reliability testing
- Product quality improvements and rationalization
- Technical co-ordination with other manufacturing locations, in respect of quality and warranty.

The company has spent Rs.469 million in the year 2000 towards Research and Development. Partnering the country’s major engine manufactures, its engineers work constantly on the design and development of fuel-efficient injection systems, with reduced smoke levels, for existing and new machines.

3.6.2: Purchase Department and Materials Department

The purchase department works closely with the production department, material department, and finance department. The major areas for which purchases have to be made are -

- Costing and Forging
- Components (direct only against MICO specifications like springs)
- Indirect specifications (no specifications required)
• Canteen and all other purchases like stationery etc.,
• The procurement value is 30 per cent of the total turnover

3.6.3: Inventory, Stores

Inventory is managed according to ABC analysis. The raw materials coming from north is kept in stores for 15 days and from south is 14 days. Stores accounting procedure is computerized, the stores inspection is to require as the goods produced are according to the specification. The goods preservation is to be done by dividing broadly in to tool stores and common stores.

3.6.4: Safety Department

At MICO safety has always been given a place over riding importance. Thus, they do because they recognize that human lives and limbs should be protected. In their modernization program they kept environmental protection and safety at the work place as two important objectives. MICO have initiated a safety-training program. MICO has made commitment to provide safety machinery, equipment, methods, operations, tools and environment to achieve an integrated safety system in all areas of activities.

3.6.5: Production Department

MICO's plants are located at four places Bangalore, Nashik, Jaipur and Naganathapura. Production at MICO is divided in to four departments.

I. Process planning
II. Material procurement
III. Quality control
IV. Shop production
3.6.6: Planning, Purchasing Indirect Material (PPI)

PPI is responsible for planning, inventory control, procurement, vendor development, price negotiation and stores management of indirect materials.

**Major Indirect Materials of MICO**

<table>
<thead>
<tr>
<th>Area</th>
<th>Materials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Cutting tools, jigs/fixtures, tools holder, gauges, cutting oils, coolants, lapping paste, gases like nitrogen, oxygen, cleaning media like SBP spirit, special trays</td>
</tr>
<tr>
<td>Machine maintenance</td>
<td>Electrical and mechanical spares, instrument spares, lubricating oils</td>
</tr>
<tr>
<td>RMB, SPM manufacturer and Tool manufacturer</td>
<td>Imported parts for machine building and tool manufacture standard parts</td>
</tr>
<tr>
<td>Automobile repairs</td>
<td>Vehicle spares</td>
</tr>
<tr>
<td>Offices</td>
<td>Stationery materials, furnishing materials</td>
</tr>
<tr>
<td>Medical</td>
<td>All medicines, instruments, etc.</td>
</tr>
<tr>
<td>Welfare</td>
<td>Uniforms, shoes, aprons, raincoats, etc.</td>
</tr>
<tr>
<td>Safety</td>
<td>Hand gloves, goggles, ear plugs, hand creams, etc.</td>
</tr>
</tbody>
</table>

Source: Company Records

**Products manufactured at Bangalore plant (Shop production)**

- Diesel fuel injection equipment
- Spark plugs
- Fuel injection pumps
- Single cylinder and Multi cylinder
• Governors, Injection timers and feed pumps delivery valves.
• Industrial equipment SPM, Deburring machines
• Inspection automates assembly techniques
• Packaging machines

**MICO's basic Approach towards Quality and Environmental Protection**

MICO has achieved –

• ISO 9001 COMPANY FROM 1992
• QS 9000 COMPANY FROM 1997
• ISO/TS 16949:2000 FROM 2003

### 3.6.7: Finance Department

The finance department at MICO located at the main administration office that looks after the planning and controlling of the finance of all the plants, sales houses and offices. MICO is cash rich. Hence, the major challenge lies in investment of surplus funds. MICO thus went for buyback of shares twice for this reason. The financial accounts are taken care at both the corporate levels as well as at the plant level. Each plant has its own financial system. The commercial head, i.e., the joint managing director takes care of the finance at the plant level.

At the plant level, a plan is made, where the actual cash flow is calculated for the coming month and a fair estimate for the next two months is given to the corporate. Each plant has to account for its transactions. One major function of the PAC is costing. In MICO, even the current assets are also depreciated. The budgeting process is done for the next three years. The coming year is called as the plan period. While the next two years after that is called as the forecast period. Today the major responsibility for MICO is at the plant level. Its major function is to identify the problems at the plant level.
3.6.8: Costing Department

At MICO two types of costing have been followed-
- Job Costing
- Process Costing

The methods of costing followed in MICO
- ABC costing (Activity Based Costing)
- Standard costing
- Marginal costing

3.6.9: Marketing Department

The marketing department at MICO is headed by the Sales and Automotive after market division (SAA) and Sales Original Equipment (SOE). Status in market; it has 800 outlets both in Sales and service. MICO has four sales houses in the four metros. The managerial network of MICO is as follows:

**Chart 3.2: Managerial Network of MICO**

```
NATIONAL SALES MANAGER

REGIONAL MANAGER NORTH
  | AREA MANAGERS
  |   TERRITORY EXECUTIVES (SPECIFIC AREA OBJECTIVES)

REGIONAL MANAGER EAST
  | AREA MANAGERS
  |   TERRITORY EXECUTIVES (SPECIFIC AREA OBJECTIVES)

REGIONAL MANAGER WEST
  | AREA MANAGERS
  |   TERRITORY EXECUTIVES (SPECIFIC AREA OBJECTIVES)

REGIONAL MANAGER SOUTH
  | AREA MANAGERS
  |   TERRITORY EXECUTIVES (SPECIFIC AREA OBJECTIVES)
```

Source: Company Records
A well established communication network connects MICO to its other locations in the country and to Robert Bosch on global network. The company has adopted manufacturing resource planning system, which is the tool to integrate all the function of the organization to optimize its resources and to meet the corporate objectives.

3.6.10: Information Systems Department

MICO has sophisticated information systems and communications infrastructure to support its global business needs in a timely and cost effective manner. Leveraging on its company wide electronic communication and extensive Intranet information repository, it is resolutely making the culture shift from "Knowledge is power" to know sharing is power."

The major focus areas are Enterprise Resource Planning (ERP) enhancement, internet based electronic data interchange with trading partners and use of key performance measures and MIS for business advantage.

3.7: MAJOR MICO CUSTOMERS AND COMPETITORS

3.7.1: Major MICO Customers

- Bajaj Tempo
- Ashok Leyland
- Eicher Tractors
- Escorts
- Hindustan Motors
- HMT
- Kirloskar Oil Engines
- Mahindra and Mahindra
- Maruti Udyog
- Premier Automobiles
- Simpson
- Swaraj Mazda
- Telco

3.7.2: MICO Competitors

- Denso
- Delphi
- Zexel
- Doowon
3.8: FINANCIAL PERFORMANCE OF MICO

To have an understanding of the working of the company i.e. MICO Industries, Bangalore and its financial performance, the following table was prepared by using the financial statements during five years.

Table 3.4: Financial Performance of the MICO

(Rupees in million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>37,836.8</td>
<td>29,774.2</td>
<td>23,277.4</td>
<td>18,979.0</td>
<td>15,507.0</td>
</tr>
<tr>
<td>Of Which Export Sales</td>
<td>6,269.6</td>
<td>8,082.3</td>
<td>2,313.7</td>
<td>3,256.8</td>
<td>2,490.2</td>
</tr>
<tr>
<td>Profit Before Tax &amp; Other Items</td>
<td>6,466.5</td>
<td>4,231.3</td>
<td>3,996.8</td>
<td>3,836.0</td>
<td>2,005.0</td>
</tr>
<tr>
<td>Add(Less): Other Items</td>
<td>1,516.6</td>
<td>5,209.1</td>
<td>5,616.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit Before Tax For The Year</td>
<td>7,983.1</td>
<td>81.0</td>
<td>18.9</td>
<td>3,836.0</td>
<td>2,005.0</td>
</tr>
<tr>
<td>Less: Provision For Tax</td>
<td>2,688.9</td>
<td>5,290.1</td>
<td>5,635.4</td>
<td>1,486.0</td>
<td>664.0</td>
</tr>
<tr>
<td>Add: Deferred Tax Credit</td>
<td>2,151.1</td>
<td>123.1</td>
<td>252.2</td>
<td>2,350.0</td>
<td>1,341.0</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>3,430.7</td>
<td>3,747.7</td>
<td>3,747.7</td>
<td>2,350.0</td>
<td>1,341.0</td>
</tr>
<tr>
<td>Appropriations:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td>Interim Dividend</td>
<td>384.6</td>
<td>-</td>
<td>-</td>
<td>208.0</td>
<td>128.0</td>
</tr>
<tr>
<td>Final Dividend</td>
<td>53.9</td>
<td>384.6</td>
<td>320.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax On Interim Dividend</td>
<td>21.8</td>
<td>-</td>
<td>-</td>
<td>27.0</td>
<td>-</td>
</tr>
<tr>
<td>Tax On Final Dividend</td>
<td>4,500.0</td>
<td>57.0</td>
<td>41.9</td>
<td>1,700.0</td>
<td>900.0</td>
</tr>
<tr>
<td>General Reserve</td>
<td>391.4</td>
<td>2,500.0</td>
<td>2,700.0</td>
<td>415.0</td>
<td>303.0</td>
</tr>
<tr>
<td>Balance carried forward</td>
<td>489.1</td>
<td>685.3</td>
<td>1,486.7</td>
<td>2,350.0</td>
<td>1,341.0</td>
</tr>
<tr>
<td>Total</td>
<td>5,479.9</td>
<td>3,430.7</td>
<td>3,747.7</td>
<td>2,350.0</td>
<td>1,341.0</td>
</tr>
</tbody>
</table>

Source: Company Annual Reports.

Above table reveals that the sales of the company in India and outside India are in increasing trend. Profit after tax of the company in each accounting year is also increasing. As a result the company is able to declare a good return to its shareholders. On the basis of above table we can conclude that the company is having a very sound operating and financial position during the study period.
3.9: SUMMARY

Automotive components manufactured in India are of top quality and used as original components for vehicles made by top international companies. The Indian Auto Components Industry is highly fragmented, with over 300 players in the organised sector and estimated 5000 units in the small sector. MICO Industries, Bangalore is the group member of BOSCH, manufactures industrial equipment, auto-electrical, hydraulics for industrial and tractor applications, electric power tools, packaging machines and Blaupunkt car multimedia systems. It enjoys monopoly in many of its products, as it is in automobile ancillary industry. It has 800 outlets in both service and sales and have a firm and well established network. Today, it is the third largest manufacturing centre outside Germany of the BOSCH Group.