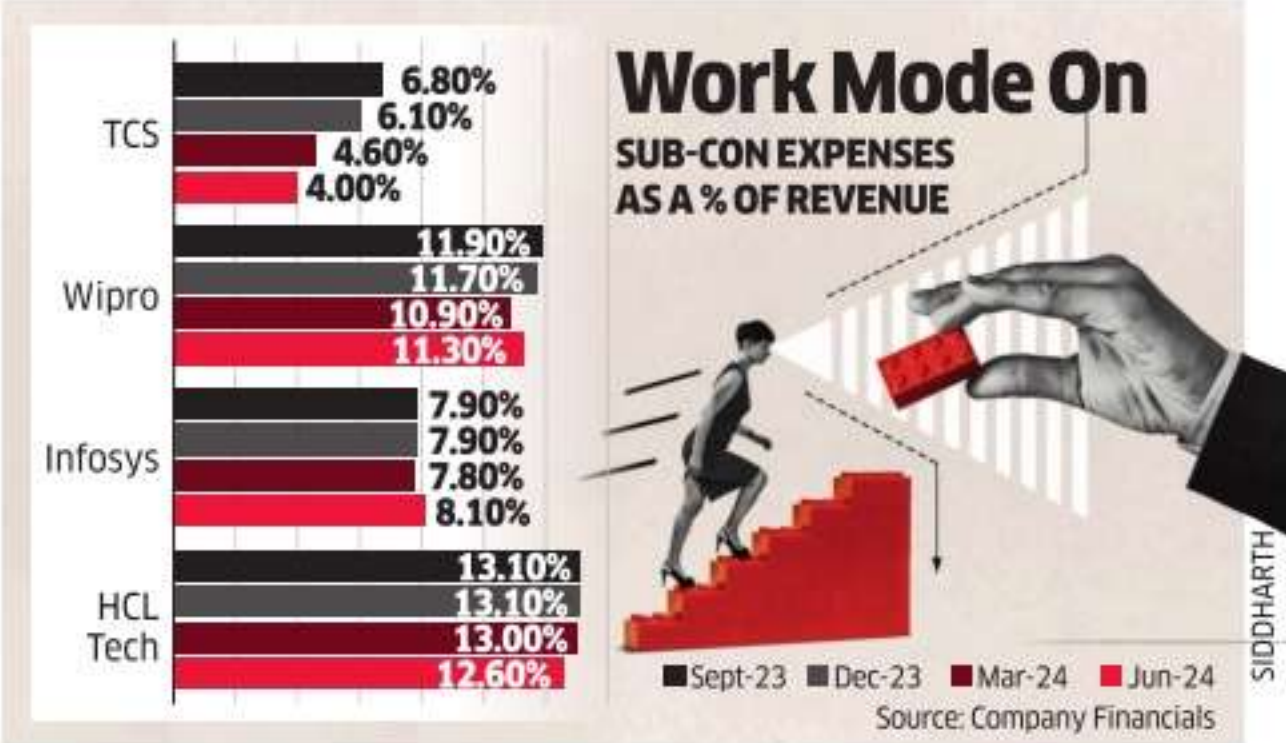


Margin Focus Pushes Indian IT Firms Away from Subcontractors

Cos count on internal talent, upskilling and GenAI to meet the demands of complex projects: Experts



Beena Parmar

Bengaluru: India's leading IT companies have slashed their subcontracting costs—or, spending on high-cost temporary workforce—to multi-year lows, driven by increased focus on margins, cost optimisation, and enhancing internal capabilities. Over the past 12-18 months, as growth in the \$250-billion software services industry slowed, players like Tata Consultancy Services (TCS), Infosys, HCLTech, Wipro, and Tech Mahindra have been scaling back low-margin subcontracting, or the practice of employing temporary workers at high costs. Instead, they are focusing on upskilling existing employees, improving billable utilisation, and leveraging generative AI (GenAI) to meet the demands of increasingly complex projects, industry analysts said. "Recent analysis shows a strategic shift in managing subcontractor expenses among large IT services firms," said Krishna Vij, business head - IT staffing at recruitment firm TeamLease Digital. "Many companies have reduced these expenses in recent quarters, focusing on strengthening in-house capabilities and optimising cost efficiency. This trend reflects a broader industry response to market dynamics and a push for improved profitability," she said.

In FY24, subcontracting costs hit their lowest levels in years: TCS at 6.20% of its revenue (the lowest since FY16), Infosys at 7.70% (lowest since FY21), Wipro at 11.50% (lowest since FY16), and Tech Mahindra at 12.60% (lowest since FY19), according to company data. Subcontracting costs and employee expenses are shown as two different line items in financial statements. This is because salary is generally considered as a fixed overhead while subcontractors are billed on an hourly basis and do not feature in the company's payroll. Companies are driving initiatives around reducing contractors, consolidation of contracting vendors, and tightening approvals for contract versus employee hiring decisions, analysts said. "Subcon (subcontracting) is generally done to access niche skills that normally come at a premium. We expect SPs (service providers) to continue to sharply focus on this cost to drive better margin," said Yugal Joshi, partner at research firm Everest Group. "Subcon is margin dilutive and most SPs, given lack of growth, are focusing extensively on margin management. However, they also realise there is a limit to this reduction. Moreover, most of these SPs continue to build their nearshore and onshore presence that may further reduce subcon costs," he added.

Glas Trust Dropped from Byju's Insolvency Panel

Our Bureau

New Delhi: The insolvency resolution professional (IRP) for Think & Learn Pvt Ltd, the parent company of Byju's, has removed Glas Trust Co that represents a group of the ed-tech firm's US lenders from its committee of creditors (CoC). IRP Pankaj Srivastava removed Glas Trust after concluding that it does not represent the minimum 51% of lenders in the consortium that provided a \$1.2 billion term loan to Byju's, sources aware of the matter said. According to a Times of India report, Glas Trust on Tuesday moved the Bengaluru bench of the National Company Law Tribunal, seeking to remove Srivastava as the IRP. The matter will be heard on Wednesday. Meanwhile, the CoC held its first meeting on Tuesday. The US lenders had accused Byju's founder Byju Raveendran of diverting more than \$500 million from the \$1.2 billion they had lent. They had filed a bankruptcy case against the company's American subsidiary, Byju's Alpha, in the US. Byju's disavowed most of the lenders represented by Glas Trust, citing its right under the credit agreement to exclude predatory lenders focused on distressed debt, the sources said.

Still Haunted by its Chaotic Past, OpenAI is Now Trying to Grow Up

ChatGPT-maker is struggling to transform itself into a profit-driven company

Cade Metz and Mike Isaac

OpenAI, the often troubled standard-bearer of the tech industry's push into artificial intelligence, is making substantial changes to its management team, and even how it is organised, as it courts investments from some of the wealthiest companies in the world. Over the past several months, OpenAI, the maker of the online chatbot ChatGPT, has hired a who's who of tech executives, disinformation experts and AI safety researchers. It has also added seven board members—including a four-star Army general who ran the National Security Agency—while revamping efforts to ensure that its AI technologies do not cause serious harm. OpenAI is also in

talks with investors such as Microsoft, Apple, Nvidia and the investment firm Thrive for a deal that would value it at \$100 billion. And the company is considering changes to its corporate structure that would make it easier to attract investors. The startup, after years of public conflict between management and some of its top researchers, is trying to look more like a no-nonsense company ready to lead the tech industry's march into AI. OpenAI is also trying to push last year's high-profile fight over the management of Sam Altman, its CEO, into the background. But interviews with more than 20 current and former OpenAI employees and board members show that the transition has been difficult. Early employees continue to leave, even as new workers and new executives pour in. And rapid growth hasn't resolved a fundamental question of what OpenAI is supposed to be: Is it a cutting-edge AI lab created for the benefit of humanity, or an aspiring industry giant dedicated to profits? Today, OpenAI has more than 1,700 employees, and 80% of them started after the release of ChatGPT in November 2022. Altman and other leaders have led the recruitment of executive hires, while the new chairman, Bret Taylor, a former Facebook executive, has overseen the expansion of the board. "While startups must naturally evolve and adapt as their impact grows, we recognise OpenAI is navigating this transformation at an unprecedented pace," Taylor said. —NYTNS

MOVING ON
It is also trying to push the fight over the management of Sam Altman into the background

India Inc Gets Gender Mix Right in Temp Hires for Festive Season

Slew of sectors actively giving mandates to onboard more temp women workers in peak season

Sreeradha Basu & Brinda Sarkar

Bengaluru: India Inc's big gender diversity push is increasingly getting extended to temporary hiring during peak periods such as the festive season. E-commerce, logistics, retail, hospitality, manufacturing, consumer durables, banking, financial services and insurance (BFSI) are among a slew of sectors actively giving mandates to onboard more temporary women workers to fill in a festive season-induced hiring boom, said staffing firms such as Qess, Randstad, Adecco, CIEL HR Services and TeamLease Services. Diversity hires have surged 15-35%, even more in sectors such as e-commerce and retail where the rise is nearly twofold. Women workers have comparatively lower attrition and absenteeism rates, contributing to higher productivity during the festive season, said Manu Saigal, director-general staffing, Adecco India. At the workforce solutions company, these factors have led to a 35% increase in diversity hiring compared to 19% last year, she said. Increased hiring of temporary women workers is primarily led by multinationals with well-defined diversity and inclusion policies and initiatives. However, companies in sectors with a reputation for gender equality such as electronics manufacturing, technology, e-commerce, retail, FMCG, logistics, tourism, hospitality, and aviation besides individual firms with a strong focus on social responsibility are more likely to prioritise such inclusive practices, Saigal added. At Qess Staffing, mobile and electronics makers are leading the gender diversity charge. Nitin Dave, chief executive officer, said some companies that depend on assembly

RIGHT TURN

Firms across sectors looking to onboard more women temp workers this festive season, say staffing firms

WHY?
Focus on inclusivity; gender diversity

BENEFITS

- Lower attrition and absenteeism rates
- Contributing to higher productivity during festivals

SECTORS AT THE FORE
E-commerce, logistics, retail, hospitality, mobile and electronic manufacturing, BFSI

TEMP ROLES IN DEMAND
Sales associates, customer service representatives, warehouse executives, shop floor operators, hospitality staff, telesales and business development

DIEGO RIVERA, *Portrait of Two Women*

YESHAB GIRI
chief commercial officer, operational talent solutions, Randstad India

Many warehouse roles that were traditionally accessible only to men are now open to women, to leverage the unique strengths they offer

THE ECONOMIC TIMES
women ahead

prioritise such inclusive practices, Saigal added. At Qess Staffing, mobile and electronics makers are leading the gender diversity charge. Nitin Dave, chief executive officer, said some companies that depend on assembly

Freshworks Appoints Murali Swaminathan as Chief Tech Officer

Our Bureau

New Delhi: Nasdaq-listed software-as-a-service (SaaS) major Freshworks has appointed Murali Swaminathan as its chief technology officer (CTO), the firm said in a statement on Tuesday. Swaminathan will oversee Freshwork's technology roadmap and strategy, spearheading the company's global engineering and architecture teams. He joins from ServiceNow, where, as vice-president of engineering, he developed the modern application architecture for the company's IT service management and strategic portfolio management products. Before ServiceNow, Swaminathan was vice-president of engineering at Recommendation, now part of OpenText. "It's an incredible time to be joining this team as we grow to become a multi-billion-dollar software company," he said. "Our talented global engineering and architecture teams are pivotal to meeting this goal and I look forward to working with them to continue driving innovation and delivering exceptional products that meet the evolving needs of our customers." This role aligns with the company's commitment to investing in talent and resources to enhance employee and customer experience solutions. Swaminathan will join the executive management team and report directly to chief executive and president Dennis Woodside. "Murali's experience aligns exceptionally well with our commitment to deliver products that provide rapid impact and real returns on AI investment," said Woodside.



AT THE WHEEL
Swaminathan to oversee SaaS co's tech roadmap and strategy

Flipkart Fashion Head Set to Join Angel One as CBO

To replace Prateek Mehta who has become a partner at US VC firm South Park Commons

Pratik Bhakta

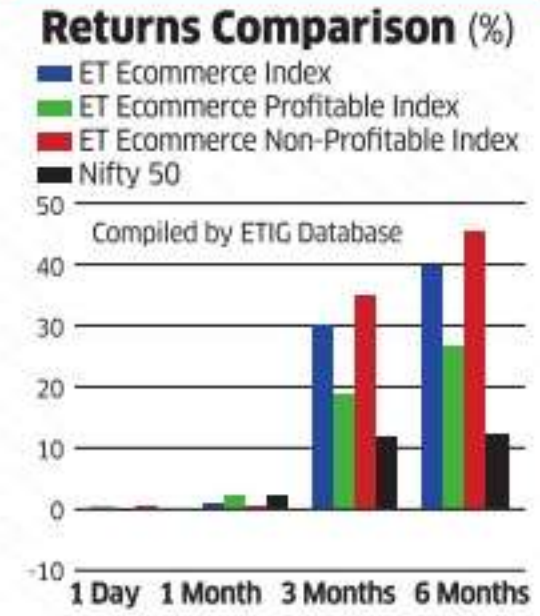
Bengaluru: Mumbai-based stock broking company Angel One is set to appoint Arief Mohamad as its new chief business officer, two people in the know said. Mohamad has already put in his papers at Flipkart, where he was heading the fashion vertical, the second person added. According to his profile on social media platform LinkedIn he has spent close to a decade at Flipkart, having joined the e-commerce major back in September 2015. Mohamad will be the replacement for Prateek Mehta, who was the chief business officer at Angel One till April 2024. Mehta, one of the cofounders at mutual fund distribution startup Scripbox has now assumed the role of a partner at South Park Commons, the Silicon Valley-based venture investor. South Park Commons recently entered into India in partnership with



Flipkart cofounder Binny Bansal. Emailed queries to both Flipkart and Angel One went unanswered. Angel One, a stock broker founded by Dinesh Thakkar back in 1996 has been on a transformation journey over the last few years and has been competing with new age tech brokers like Zerodha and Groww in terms of active customers. As per latest numbers released by the NSE, Angel One has close to 7 million active traders, third to Groww and Zerodha.

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JEN ABEL
@JJEN_ABEL

startup founders: the bigger the logo they are coming from, the easier their existing job – brand/marketing did all the hard work putting that type of sales rep into early-stage motion will be painful for them and triple pain for you

Tech Buzz Clearview AI Fined €30.5m by Dutch Govt

THE HAGUE: Dutch authorities fined US facial recognition firm Clearview AI €30.5 million on Tuesday for "illegally" creating a database with billions of photos of faces, which they called a "massive" rights breach. In addition to the penalty, the equivalent of \$33.7 million, the Dutch Data Protection Authority (AP) banned the use of Clearview in the Netherlands. —AP

77%
share of 5G smartphone shipments in India in Q2 2024. —Agencies

Pixel Watch 3 to Get Updates for 3 Years

WASHINGTON: Google has confirmed that Pixel Watch 3 will receive just three years of software support, mirroring policy applied to its predecessors. According to GSM Arena, this support duration contrasts with Google's seven-year software commitment for its Pixel 8 series and upcoming Pixel 9 lineup. The three-year software support window indicates a divergence in how Google addresses updates for its smartwatch versus its smartphones. —Agencies

Rainmatter Invests ₹10cr Each in Boson Whitewater, TruNativ

Zerodha-backed fund has invested ₹30 cr in multiple firms in the past two months

Pratik Bhakta

Bengaluru: Water recycling startup Boson Whitewater and nutrition-focused brand TruNativ have each secured ₹10 crore in equity funding from Zerodha-backed early-stage venture firm Rainmatter. Boson Whitewater helps treat excess sewerage treatment plant (STP) water into potable water, which can help solve the water scarcity problems in large cities like Bengaluru. TruNativ is a direct-to-consumer (D2C) brand that sells nutritional products like Everyday Protein, Everyday Fibre, and Everyday Sweetener through its own website and e-commerce channels. Rainmatter, which invests in startups across fintech, clean energy, climate tech and healthtech, has pumped in ₹30

crore into multiple companies in the last two months. These include follow-on rounds in health startup Devil's Circuit, climate-focused startup GreenWorms, and fintech startup Actlogica. "Between 2016 and now, we have invested around ₹650 crore into a wide range of startups across sectors," said Dinesh Pai, head of Rainmatter. "Out of (Zerodha cofounder and chief executive) Nithin Kamath's total commitment of ₹1,000 crore announced last year, around ₹150 crore has been deployed as of now," Pai said. Zerodha also runs a not-for-profit arm named Rainmatter Foun-

DINESH PAI
head of Rainmatter

Between 2016 and now, we have invested around ₹650 cr into a wide range of startups across sectors

dation. Rainmatter also participated in the recently closed \$6.5-million funding round of space tech startup GalaxEye. The fund has so far pumped in ₹5 crore into this startup across the first and follow-up round. "We believe that geospatial data has a role to play to solve problems around, say, early warning for climate-related disasters and erratic weather patterns. GalaxEye is looking to solve that problem apart from several other use cases in defence and agriculture," Pai said.