

RELYING ON HUMAN CAPITAL

Leading integrated HR solutions and business services company, Ikya Human Capital Solutions, continues to expand through both inorganic and organic routes. The company is seeing a ten-fold growth as it aims to meet a turnover target of Rs. 1,000 crore this fiscal

MAHATHI R. ARJUN

In a short span of five years, Ikya Human Capital Solutions (Ikya) has evolved from a human resource (HR) services provider to a business services group – a growth that has seen the Bengaluru-based company move up from a turnover of Rs. 100 crore in 2009 to a target of Rs. 1,000 crore this financial year. Ikya's MD and CEO, Ajit Isaac, hopes to see it become a leader in business services in emerging markets in the coming decade.

Ikya currently caters to five major verticals: executive search that has 250 recruiters to head hunt across India; general staffing that employs 35,000 people; a training business that trains 2,000 people every month on hospitality, sales and general assistance skills; facilities management services (FMS) that has about 9,000 people on its rolls; food and beverage services (FnB); verification compliances; and professional staffing with 6,000 people. Thus, Ikya has over 50,000 people working for it through its many verticals. Its professional staffing that caters to the IT services space is currently Ikya's largest arm constituting 30 per cent of its profits and 20 per cent of revenues. With 800 – 900 clients and offices in 23 cities, it services some of the leading companies.

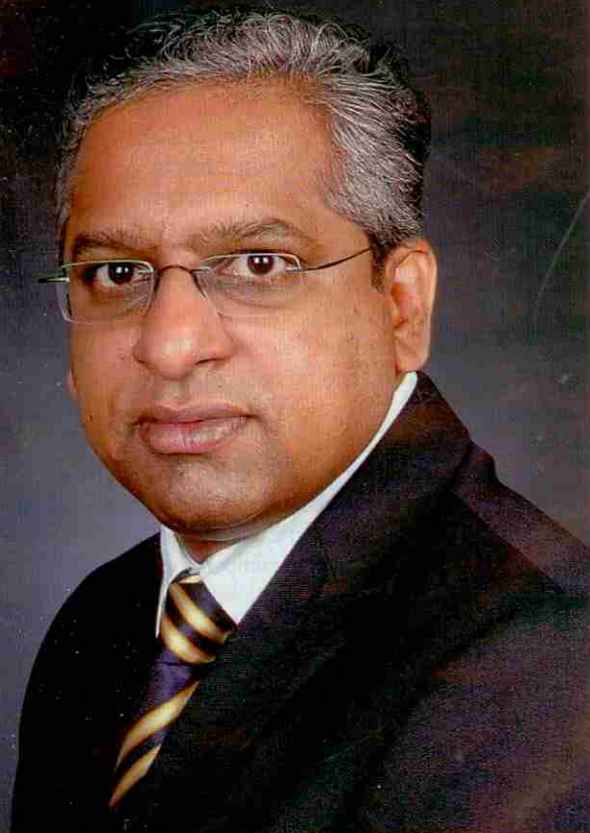
Inorganic vs. organic

"If you consider the market today, in each of our business verticals, we are either number one by revenue or by our growth. We are the market leader in professional staffing," states Isaac. A big fillip to Ikya's growth has been its inorganic expansion, which it funds through shareholders' equity. In 2008, the company acquired Avon Management Services for FMS that initially had 1,300 people and is now a Rs.100 crore division by itself. Acquiring CoAchieve Solutions in 2009 and Magna Infotech in 2011 enhanced the company's portfolio. While CoAchieve brought with it a special skill set in the area of recruitment process outsourcing, Magna was India's largest professional staffing company when Ikya acquired it in an obvious move to grow from general staffing to professional staffing. One of the subsequent challenges Isaac faces is to ensure complete integration of the acquisitions into the company.

"In each of these situations, we analysed that it was better to buy than build because of the cost and time factor, also, when we do not have domain strength in a particular field, making an acquisition can give us a leading position in the market," says Isaac. Moving ahead, Isaac is considering a combination of inorganic and organic growth for the company. In fact, in its more recent FnB vertical, Ikya has just completed an acquisition that will give it a capacity to serve 20,000 meals per day in establishments in Bengaluru where food is offered on a large scale such as at IT parks, malls, hospitals and factories. And it is currently in negotiations with a second acquisition of a similar capacity in Chennai.

Tapping opportunities

Isaac is a seasoned expert in the HR sector. A graduate of Loyola College and Madras School of Social Work, he worked with companies such as Godrej & Boyce and Essar Group till 1997 moving up from management trainee to heading corporate HR for the Essar Group. He then had a chance to study in Leeds University, U.K on a Chevening Scholarship. When he returned, he realised the opportunities for the services sector was growing. In 2000, he started PeopleOne Consulting, which had J.P. Morgan investing under US \$1 million.



AJIT ISAAC, MD AND CEO, IKYA HUMAN CAPITAL SOLUTIONS

Isaac built the company rapidly that saw the launch of a successful temporary staffing product, had a healthy revenue run rate and employed about 40,000 people. In 2004, he decided to make an exit in what was considered as the largest HR transaction in India at the time when world's leading HR solutions company, Adecco, came calling. Isaac stayed on as its CEO of Indian operations till 2007. Today, PeopleOne Consulting has become India's largest temporary staffing company today with 90,000 people working for it. "Though I did not always think of an exit, I knew it was the right thing to do for the company. We were building a strategic asset in an emerging market that would benefit a global player like Adecco. I am quite happy with what we achieved," he says. It was then that Isaac realised the need for a bigger services group as every person cannot be recruited for temporary staffing.

Post 2007, Isaac had been investing in a few companies in the IT and services sector. He came on board Ikya when he invested in it in 2009. By then, the company was two years old and had raised investment from India Equity Partners (IEP) for US \$8 million in 2007-08. Though the economy was going through a recession, he took a decision to acquire an asset in this period. Now, Isaac and IEP hold 90 per cent of the company's stake while the management holds the remaining 10 per cent.

Heading strong

While each of its divisions is among

WHAT NEXT?

- » Grow its FnB services to a national level through acquisitions
- » Ramp up its general staffing strength to 50,000 this year
- » Tap into its 80 million sq.ft. of space to enter into security services, pest control and hard services
- » Gain more market share in the professional staffing business

the top five in the country, Isaac believes Ikya has an advantage over its competitors. "We are happy to see more competition as it pushes the standards of service. Our management team, which has been with Ikya since inception, comprises individuals from a services background so they understand the market well. We have also invested heavily in technology so it takes time for others to reach this position, which gives us an edge over our competitors," he says. Ikya's active sales team is constantly driving its market share upwards and the company is continuing to build on its existing accounts. The challenge for Isaac is to sustain current growth levels year-on-year, now that the company is targeting an annual turnover of Rs. 1,000 crore. "The internal strategy is that our growth should be four times that of the GDP," he shares. With a full-time staff of 1,500, it hires 20 – 30 management trainees every year and encourages them to grow within the organisation to become leaders.

While the economy faces issues such as policy inaction, corruption and lack of bank credit, Isaac is upbeat about the growth of the services sector with a thriving economy and rising urbanisation that brings with it a need for real estate management. In the FMS sector, Ikya hopes to eat into the unorganised players' share of the market. The company is also trying to take its FnB vertical national through a string of acquisitions. This apart, it also has a project with the Ministry of Rural Development in its training division. And the Indian government's policy to train almost half a billion people in its skill development mission in the next 10 years is a big positive. "As an early starter, we are well positioned to take advantage of this," says Isaac.

Ikya took its general staffing strength from 16,000 to 30,000 last year and now, wants to increase that number to 50,000. As IT staffing companies want to progressively transfer bench risk to companies like Ikya, it hopes to gain more market share of a sector that is growing at 40 per cent – 50 per cent. "The biggest stress is in recruiting since

it is not a volume business like others and hence, will not grow as much but it is a core investment so we will continue to support it," he adds.

Newer verticals

Ikya, which places approximately 2,000 people every month, clocked a turnover of Rs. 600 crore in FY 2012. Since 2009, its turnover has grown almost 10 times. "But our bottom line has seen

SNAPSHOT

Ikya Human Capital Solutions

CEO: Ajit Isaac

Year: 2007

City: Bengaluru

Target: Rs. 1000 crore for FY 2013

a much faster growth rate due to the margin expansion strategy we follow," says Isaac. Ikya currently manages 80 million sq.ft. of space through Avon and hopes to tap into this space for further services. For instance, the company plans to enter security services next year. While it outsources pest management for 20 million sq.ft of this space, it plans to internalise those operations soon. In addition, it wants to enter into hard services such as HVAC (heating, ventilation and air conditioning).

The company has sustained all its capital requirements through internal accruals and does not foresee funding to be an issue in the future. However, Issac adds, "We may plan on a public offering to monetise our existing investments and not necessarily to receive more capital." His plan of action for the next three years is to consolidate what he has built so far and add new business lines. "I want Ikya to become a leader in business services in emerging markets that can service non-core requirements of every company. I hope to see it become a billion dollar company in the future," he concludes.