

Clip: 1 of 1

It may be Bye Bye Benches at IT Cos

Rebadging a sign that industry is beginning to take steps to reduce spare capacity and boost margins

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Mumbai: IT staffing company Magna Infotech has won a contract to rebadge and redeploy 200 people from the bench of an IT company and is in talks to carry out similar exercises at other companies, a sign that the industry is beginning to take greater steps to reduce spare capacity and boost margins.

Indian IT companies have been chipping away at the bench, the number of employees not currently deployed on a project, for several quarters. Utilisation is at over 80% at Tata Consultancy Services, Infosys and HCL Technologies. Wipro, which has utilisation in the 70% range, is looking to reduce its headcount, ET had reported in September.

"We started our reverse partnering business model a few months ago and we have already got a contract to take over 200 employees from the bench of one IT compa-

ny," Anurag Gupta, chief executive officer at Magna Infotech, told ET. Gupta added that he was in talks with at least five more IT services and captive units for similar rebadging exercises. The rebadging is happening at the lower end of technology services in jobs such as helpdesk staffing that are in danger of being rendered obsolete by automation, Gupta said.

While services that provide employees on contract to IT companies are not new, Magna's version of bench redeployment is a new model and others in the industry are watching how it plays out.

"It's true, bench is a bad word and companies are really trying to keep it to a minimum. But you have to see if the employees are willing to jump from a big name IT company to a smaller company. It's wait and watch," an executive at another staffing company said. He declined to be identified.

The reverse partnering process does require consideration for the employees that are being rebadged.

"The change requires a lot of messaging and mapping because it is a change for the employee. About 80% of the employees, who were offered rebadging, accepted the position," Gupta said. Magna deploys about 1,100 people every month, offering the employees avenues in other companies, he said. Gupta said the new business line boosts growth at the company.

In the last year, the company grew by 50% year-over-year. Magna is also looking to expand to regions such as Singapore and the UAE to grow its business. But industry experts say certain cases of rebadging should not be extrapolated to the industry.

"Rebadging comes down to a company-level decision, like say rebadging and outsourcing of facilities management employees. It is based on the strategy of individual companies," Ajoyendra Muk-

ON BENCHING

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herjee, global head of human resources at Tata Consultancy Services, said in a recent interview.

While IT companies are focusing on reducing the bench, costs related to sub-contracting are also increasing as they use third-party providers to render services both at the top of the value chain and at the bottom.

In FY2014, Infosys spent \$322 million on technical sub-contractors, up from \$268 million in the previous year, according to its annual report. Technical contractors accounted for 6.1% of Infosys' cost of sales in 2014, up from 5.8% in the previous year.

HCL Tech's outsourcing costs, which include outsourcing customer-related activities such as disaster recovery, maintenance, break fix services and hiring of third-party consultants, nearly doubled to ₹4,207 crore in FY 2014.

The company attributed the sharp rise to an increase in outsourcing activities and stronger currencies that affected the work done outside India.

