

Per-employee revenues, profits rise in IT firms

Focus on cutting costs and improving utilisation

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In a year that saw the worst global slump of the century, many Indian IT companies have made more revenues and profits per employee than they did during the same time last year.

Historically, each year had seen these companies raise headcount while revenues did not grow at a comparable pace. In other words, companies were using more employees to produce the same unit of revenue. But the last 12 months seem to have been a period of reining in costs, managing foreign exchange volatility and cranking up utilisation rates.

In many cases among select companies (see table), revenue per employee and profits (before interest, depreciation and taxes) per employee seem to have risen. Notable among these are Cognizant and HCL Technologies, among the large players.

DE-MERGING VERTICALS

While we took numbers on a consolidated basis, more than just one player sought to de-link IT services and BPO.

A spokesman for Infosys, which saw revenue per employee falling while profits per employee rose slightly, said, "Considering the total number of employees may not be accurate, as it would include those from BPO/products, support staff and also those on the bench. Per capita revenues de-

rived from effort man-months are accurate."

BPO and products business are different from IT business in terms of nature of work, skill sets required and employee costs. Thus, Infosys' revenue per employee for the September 2009 quarter was calculated at \$6,752 compared to \$7,310 in the same period of the previous year.

At Polaris, without considering BPO, revenue per employee rose to Rs 8.82 lakh for half-year ended September 2009 versus Rs 8.36 lakh the same time in the previous year. Profits per employee too rose from Rs 1.22 lakh to Rs 1.50 lakh.

Mr Srikanth, Executive Vice-President and CFO, Polaris Software, said the company managed this rise as "it has a 'built-in' hedge with roughly one-third of the business coming in from the US, Europe and APAC, making for a balanced revenue portfolio. We have four growth engines - customer accounts, product (intellect), new country expansion and the insurance business expansion. We grew in all four."

As for per capita growth in profit, he said the company had focused sharply on internal efficiencies, optimal utilisation of resources and rationalisation of costs. "The products business has contributed to our healthy margins."

Outcome-based pricing also seems to have helped companies.

Cost per employee



(For half year ending Sept)

Company	Revenue		Profits	
	2009	2008	2009	2008
TCS	10.25	11.47	2.86	2.90
Infosys	10.52	10.73	3.61	3.42
Wipro*	10.00	9.48	2.31	1.98
HCL Tech	10.95	8.80	2.46	1.98
Polaris	7.36	6.16	1.21	0.94
Mindtree	8.09	8.00	1.52	1.99

* IT services, including BPO, global IT and India Middle-East
Profits are PBITDA. For Wipro, PBIT taken; All figures in Rs lakh.

HCL Technologies attributed its growth in per-employee figures to winning deals in the "total outsourcing space". Mr Anil Chanana, the CFO, said: "These deals are primarily outcome-based and do not require linear deployment of manpower. We also have a just-in-time hiring policy for skilled manpower."

He said that at the profit level during the recession, HCL-T focused on savings in the "general and administration" front while investing in sales and marketing.

The support headcount, he added, has come down as a percentage of total headcount. Be-

Mindtree had not sent home any of its employees during the downturn. "We paid a price for it in terms of falling utilisation rates, but we will reap the benefits when the turnaround happens."

When utilisation, or employees being gainfully billed, is lower, the per-employee revenues and profits tend to fall.

Cognizant Technology Solutions saw its annualised revenue and profit before interest and taxes per employee rise about 4.5 per cent to \$51,688 and 2 per cent to \$9,799 respectively, as at September 2009. It claims to possess the highest per capita revenue among its peers and attributes this to focusing on two geographies, namely the US and Europe.

HIGH RETURNS

A spokesman for Cognizant said it had seen growth in the consulting part of the business, in addition to its focus on high-end of BPO and KPO segments. This, by inference, tends to provide high returns with fewer people, compared to mass contact centre businesses. "We moderated our hiring plans and intake of freshers in tune with the availability of projects within the company."

Net manpower addition over the last 12 months has been the highest for TCS at 20,311 while Infosys and Wipro added 5,147 and 339, respectively. Significantly, per capita figures at TCS have declined for revenues and profits.

tween the quarters ended September 2008 and September 2009, it had fallen from 9.21 per cent to 8.95 per cent.

Mindtree Ltd, which saw a decline in per-employee numbers, attributed it to changing onsite-offshore mix, among other reasons.

Mr Rostow Ramanan, CFO-Mindtree, said: "When work moves offshore, it's an overall positive while revenue may be impacted in the short term. Also, the industry as a whole has been facing a pricing pressure from clients."

In a recent conversation with *Business Line*, Mr Ashok Soota, Chairman, had said